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GHANA: Stabilisation and Structural Shifts

By Reginald Herbold Green

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by

Reginald Herbold Green

On a cloth untrue
With a twisted cue
And elliptical billiard balls.

- Gilbert and Sullivan

The small boy who breaks a pot goes
to tell his mother "It got broken"
Not "I broke the pot" but "It got
broken"... And who did this? We
did. We broke the pot.

- Flight Lt. J. J. Rawlings

Look within yourselves. All things that are,
are lights.

- Bertran d'en Martie

Introduction

Ghana is a low income economy. At independence in 1957 it was a middle income economy - with the highest GDP per capita in West Africa. The decline of the Ghanaian economy can be dated to 1960/61 or at the latest 1972/73 - it is emphatically not the result either of 1974/75 or of 1979/80 shocks albeit these hastened decline.

Ghana is an import strangled economy. The basic cause is levels of exports which are below those of 30 years ago whether measured in real volume or real import capacity terms and oscillated downwards from 1965 through 1983. One basic cause of export decline is inadequate incentives partly because of external terms of trade shifts but primarily from domestic ones relating to overvaluation of the cedi and for cocoa excessive marketing costs plus taxation. This factor has been reinforced by deterioration of infrastructure and of availability of incentive goods but these are, in origin, largely the result of incentive motivated export declines. Unfortunately devaluation and grower prices increases do not automatically or immediately reverse the consequential causes which now have a life of their own. Import substitution has been increasingly ineffective because lack of import capacity and distorted profit opportunities have crushed the manufacturing sector.

Ghana is a hungry economy. Food production has been on a trend rate of growth below population for over 25 years. This is despite increases (at least at retail and wholesale levels) of food prices more rapid than the CPI. Therefore - unlike export and industrial raw material production trends - the food production lag is apparently independent to a substantial degree from price distortions.

Ghana since 1983 (and in a broader sense since 1982) has been engaged in a stabilisation and structural adjustment programme. The economic policy side since 1983 has been relatively orthodox with one and one half caveats: the programme was designed to increase initial import levels (by increasing net resource transfers) and from 1985 raising (not lowering) both government revenue and expenditure relative to GDP has become a goal. On its face the programme is a success - the CAD is more manageable, imports have risen; GDP in 1984 and 1985 rose over 5% a year; inflation fell from 140% in 1983 to 15% in 1985 albeit it probably reached 30% again in 1986.

Questions arise as to interpretation. 1983 was the third year of the worst drought in Ghana's post 1900 history; 1984 and 1985 were climatically favourable. Increased import capacity presumptively would have caused some recovery whatever the policy package. The initial means to reducing the government financing requirement as a percentage of GDP concentrated on cutting real expenditure even though the base tax/GDP ratio was almost the lowest in the world. Similarly the deterioration of most quality of life indicators cannot be said to be caused primarily by the stabilisation programme but - at least until 1985/86 - little priority was given to halting or reversing them.

Analysis is hampered by inadequate data - especially on composition and levels of household income and consumption - and by data whose margins of error and inconsistency seems rather high. For example, in 1985 a 1.5% rise in food production and a 2.6% growth in population were officially recorded which contrast very oddly, a 15% fall in food prices and clearly greater availability of food in both 1985 and early 1986.

An Historical Preface

The structure of Ghana's economy was to a large extent shaped in 1880-1914. Rapid growth in cocoa, gold and to a degree log production for export was the engine of growth. Cocoa was an African industry (small and not so smallholder led, using Levantine middlemen and European import export houses and - in practice - more hampered than helped by government policy). It was based on "surplus" land and labour and was the successor to smaller African rubber and palm oil export booms also marketed by European trading houses. Gold and timber were European industries using substantial European capital (including infrastructure), technology and middle through managerial level personnel combined with Ghanaian natural resources and unskilled/semi-skilled African labour.

The 1920s saw fairly rapid - export financed - growth including both physical (transportation) and human (health and education) public sector infrastructure. The depression and World War II halted - or reversed - growth with export prices (and to a degree quantities) the engine of decline in the

1930s and shipping constraints in the 1940s.

The period from the late 1940s through 1960 was marked by renewed moderate to rapid growth. This was fuelled initially by rising export prices, followed by quantity growth (especially in timber and cocoa) and - later in the period - by drawing on reserves built up in the 1940s and on capital inflows.

Despite relatively high tax and marketing shares, cocoa incentives at least to 1960 were adequate to fuel an explosive rise in output from 195,000 tonnes in 1946 to 566,000 in 1964. This record suggests rapid planting up to the late 1950s; observers at the time believed the year in which substantial new (as opposed to fill-in and replacement) planting ceased was 1959 or 1960. Indeed arguably the incentives and output growth were too high as Ghana's share of production was over 33% and the price elasticity of demand was estimated at -0.1 to -0.4.

In 1960/61 an external balance/inflation crisis was contained. In part it was caused by overheating and in part by terms of trade worsening. The strategy of high growth by high GFCF and public service expenditure (after 1960 at the price of reduced personal consumption) was maintained through 1965. It was increasingly hampered by lagging food output, inflation (partly budgetary in respect to borrowing requirement levels and problematic choice of taxes, e.g. on transport which maximised their secondary price impact and aggravated the food production constraint, partly linked to the growing food supply problem), increasing corruption, an unduly low proportion of investment in projects with the possibility of high short run returns and a substantial proportion of ill designed, over-costly and/or grandiose projects. The post 1962 cocoa price slump, the cuts in personal real incomes and the attempts to cut real military spending precipitated a 1966 coup.

1966/69 was marked by fairly orthodox stabilisation. Within it personal consumption recovered, cocoa grower incentives fell, government consumption (except military) fell and GFCF plummeted. The 1969/72 civilian government sought to sustain the recovery in personal consumption, nominally at least to restore cocoa incentives and to return to a high GFCF/high growth path. The immediate cause of its collapse (i.e. first of its strategy and then of itself) was the continuation of a cocoa price slump until 1973. Output had already sunk below 400,000 tonnes (perhaps 420,000 including smuggling which

became significant from the late 1960s as the real official price fell below the real price in the Cote d'Ivoire and Togo adjusting both for transport, intermediary and 'lubrication' costs and the overvaluation of Ghana's cedi vis a vis the CFA franc) by 1971. A scissors between low export prices and a fiscal position precluding massive cocoa tax cuts prevented real price restoration and added reduced care and increased smuggling to the medium term output threat posed by negligible new and limited re planting since 1960.

The 1973-1979 military regime did not have an economic policy - at least not in any coherent or operational sense. By the end of its life cocoa exports had fallen under 225,000 tonnes (perhaps 275-300,000 including smuggling). GDP and GFCF were on a clearly downward trend and unmaintained infrastructure and directly productive capacity were being eroded.

The 1979 First Rawlings government was an interim cleansing and hand-over to civilian rule regime. Its economic policy was anti-corruption, anti-exploitation and populism. The 1979-81 civilian government again had no operational economic policy. The 1979/80 oil shock exacerbated the ongoing decline especially as infrastructure and public services were falling apart, food scarcity becoming acute and foreign resource transfers becoming negligible to negative.

The Second Coming (Landing) Of The Flight Lieutenant

At the end of 1981 with the economy in total crisis and the government moribund, Flight Lieutenant J. J. Rawlings returned to power, this time heading a mixed civilian/military government dedicated to structural changes in morality, production, social relations and efficiency.

Its first year in office (1982) was marked by an attempted "bootstrap" stabilisation programme. Real cocoa prices were raised by reducing the payment lag to growers from 9 months to 1 month - a critical shift given the near 100% rate of inflation of previous years. Attempts at improving transport, external balance and fiscal balance aroused some enthusiasm but - given the state of infrastructure and the levels of import capacity - were foredoomed. Attempts to reverse public service decline were - with some exceptions in health - ineffective for the same reasons and because government

wages/salaries were so low as to prevent normal workloads (assuming the workers were to survive) and/or to enforce corruption.

Attempts to improve social relations by price controls and productive efficiency by fiat were more than ineffectual. They - especially the maintenance of an exchange rate of Cedi 2.75 to the dollar against a rate of 30 to 40 on a price adjusted no revaluation basis - completed the already well advanced flight of most economic transactions from the ambit of state influence (and from plausible data on levels or relationships as well).

The attempted - and to a degree achieved - structural change in morality (anti-corruption/anti-exploitation) clearly destabilised production and increased risk premiums in the parallel economy. Because - if and to the degree that it was successful - it threatened those exploiting rents it led to a series of coup attempts and - because of its rhetoric - to distinct coolness on the part of potential external sources of finance. Further, the workers (defence of the revolution) committees were not necessarily competent to identify corrupt practices, to participate in management, or to avoid dabbling in chopping at less as well as more proper 'fringe' benefits themselves. On balance they almost certainly did reduce corruption but both by mistakes and by frightening businesses their impact on production was on balance negative.

However, 1982 almost certainly laid the foundations for acceptance of the 1983-85 stabilisation programme by Ghanaians. The government created an image of honesty, concern and energy (notably lacking at least since 1972 except for the first Rawlings government interlude) and a certain support base among peasants, the bureaucratic/managerial professionals and - less firmly - urban workers to go with its rank and file security service support. The defence committees and rural development bodies in total involved up to half a million active participants and substantially more supporters and contributors. Without this base the 1983 measures could not have been implemented given the backdrop of externally smiled upon military and middle class coup attempts to oust the PNDC and, in effect, restore the status quo of 1979-81.

By late 1982 the government had concluded that "bootstrap" stabilisation - let alone recovery - was impossible and began serious explorations/negotiations toward a Fund/Bank led externally supported programme. Before examining this programme - which came into operation in May 1983 - it is useful to look at

the working of the economy and the main social groups/economic actors.

The Working(?) Of The Ghanaian Economy

The basic constraints on the Ghanaian economy are import capacity and food sector productivity.

The import constraint is most evident in respect to industry (operating inputs, spares), public services (mobility, drugs, etc) and infrastructure/transport (materials, replacement equipment, vehicles, fuel). However, it is equally critical to all three main exports - gold, timber, cocoa. In the first two cases the direct import link is clear - in the last it relates to implements, spray and sprayers. Further, transport weaknesses directly related to inadequate import levels of fuel, spares, vehicles and road/rail/harbour maintenance (and by the late 1970s rehabilitation or reconstruction) inputs hamper production and export in all three cases.

Food productivity is rather less effected by the import constraint. Most of the sector uses limited imports or import produced goods. However, transport does constrain areas from which output can come - physically and in terms of incentives since some work suggests grower food prices (private) are 25% lower 10 miles off a motorable road. Similarly the main North highway's closure since the early 1980s adds up to 500 km to the travel distance on goods up and food down with evident price and fuel use implications. It is not clear - because of increasing cost and oligopsony margin spreads - whether or not real grower prices for food have kept pace with inflation especially outside the most accessible coastal and Ashanti region areas.

However, the basic bottleneck on food production appears to be lack of knowledge which has been locally tested and adapted and which is economically viable and user friendly. Mechanised/irrigated agriculture is a disaster, e.g. in rice there is probably a net forex loss and the domestic price was in 1984 3 times import parity taken at the official rate and at least 1.5 times at a plausible shadow rate.

Public investment qua investment in Ghana has predominantly been complementary with private. It has largely been in infrastructure and/or in directly

productive activity in which there was little actual or likely private activity to be crowded out. At present public investment rehabilitation of infrastructural, export processing, incentive (basic and amenity consumer) goods and agricultural tool capacity would improve forex and profit availability and thus encourage (and make economically useful) additional private sector investment.

Public sector demands on real resources may have constrained private savings albeit the dominant negative impact in the first half of the 1960s was to crowd out personal consumption and in recent years the total of public sector consumption and investment have been low by world, SSA and low income economy standards.

Public policy certainly has deterred private sector investment and encouraged smuggling savings out of Ghana and/or causing profits to be received elsewhere. In addition by reducing the levels both of economic capacity and capacity utilisation it has lowered actual savings levels as well as discouraging their investment in Ghana. As it happens these policies - e.g. overvalued exchange rate, high inflation with price controls and chaotic forex allocation - have in practice discriminated against public enterprises who were less able to parallel market and less oriented to using dash (gifts) to secure appropriate papers and obligingly blind eyes and has thus reduced their savings and ability to invest even more sharply than that of the private sector.

Forced savings" via inflation can perhaps better be termed "forced lacking", i.e. eliminating ex ante excess demand by ex post real demand compression. By the 1980 Gross Fixed Investment was below reasonable depreciation estimates but well above domestic savings, i.e. net domestic savings were negative by at least 5% and probably nearer 10% of GDP.

Corruption - a very prominent aspect of public policy over most of the period - clearly deterred saving and investment. First, it raised costs and increased risks. Second, it was unwelcome to at least some businessmen and would-be businessmen. Third, it diverted entrepreneurial talent into channels not related to raising output. Fourth, it both led to government decisions on bases other than public or national or normally defined political goal attainment and occupied a high proportion of at least a significant number of

public decision takers and public servants (?) time.

Pricing - except for public services which are fixed price at any one time with some shifts toward markup (including cost share) pricing - is basically market clearing in respect to domestic market production and imports. Margins are, in general, higher in services than in physical production. Cost plus probably sets a bottom line for most enterprise prices albeit the plus element cannot be taken as a constant. In late 1985 and early 1986 many manufacturer and retailer prices remained constant for up to 6 months (including on pre-devaluation stocks after a 50% devaluation) because goods were moving far more slowly than anticipated and subsequent price alterations suggest some downward flexibility as to 'acceptable' margins. In 1984-86 wholesale prices grew more rapidly than retail suggesting a margin squeeze (in food as well as cost plus lines). There is fragmentary emphasis to suggest a similar pattern in producer to wholesale price movements.

The extreme case of flexprice is food where 160% price increases in 1983 fell to 40% in 1984 (negative in the second half year) and -15% in 1985 with a swing from disastrous to good weather. Export prices - except cocoa - are determined by world prices and the exchange rate. In the case of cocoa government tax policy and marketing costs (about 20% and 45% of export proceeds in 1985) are additional major influences. Low prices since 1965 resulted in low output or smuggled exports - especially for cocoa and shea nuts - with 1982-1986 real price increases at least partially reversing both output falls and smuggling.

The presence of a very large parallel (illegal) economy (especially at import/export and trade levels) and of a large "informal" (small scale badly estimated) non-agricultural sector limits effective description of interactions. The informal and parallel sectors have survived better than most large scale units (public or private) implying lower import content and/or more adequate access to parallel market imports. Because they are under-recorded, it is quite possible that the GDP decline through 1983 in official data is overstated. By the same token the non-agricultural productive and service units most able to benefit from reduction of import strangulation may well be medium and large scale in which case official data would tend to overstate the 1984-1985 recovery.

Social Groups/Economic Actors: 1960-83

The basic social (socio economic) groups or sub-classes are:

- A. Peasants
 - i. Tree Crop
 - ii. Annual Crop
- B. Wage Earners
 - i. Public Sector
 - ii. Private Sector
- C. Salaried
 - i. Public Sector
 - ii. Private Sector
- D. Informal Sector
- E. Business
 - i. Production
 - ii. Commercial - Legal
 - iii. Commercial - Parallel
- F. Armed forces
- G. Foreign Finance Sources

One problem in analysis is that there are a substantial number of mixed incomes. Most urban households are in both the wage earning and the informal sectors. Further, tree crop and annual crop agriculture are complementary in the main tree crop areas.

Tree crop growing peasants have fared badly since the early 1960s. The rates of tax and administration levies on potential cocoa income has averaged well over 50%. Combined with overvalued exchange rates and a moderate trend decline in real cocoa prices the decline in purchasing power has been extreme - how extreme depends on one's estimate of smuggled cocoa and the percentage of the Ivoirienne or Togolese price growers receive from smugglers and/or

neighbouring state middlemen. Smuggling apparently is marginal up to a real price differential (excluding transport and 'lubrication' costs) of say, 25%. Beyond that it becomes significant with the share in each region rising as the differential (at grower level) passes the tipping point which is higher the further he/she is from direct routes to the Cote d'Ivoire or Togo. 1985-86 experience suggests this function operates in both directions, i.e. lower differentials have a prompt effect on choices between smuggling (or selling to the smuggling market) and using grower co-op/Cocoboard channels.

Annual crop farmers have fared somewhat better on average. However, as real output of food per farming household has fallen significantly (probably about 2% per year over 1973-83) there are likely to have been real income falls. Despite the fact that retail food prices have risen almost as fast as CPI, this probably does not hold for grower prices because of increased costs and decreased availability (leading to greater oligopsony power) of transport. However, this generalisation is subject to weather conditions by year and locality (1981-83 were drought years) and to location (the Northern Zone has fared worst).

Wage earners as of 1979 totalled about 480,000 in establishments of 10 or more and probably were under 450,000 by 1983. Even accepting the World Bank's improbably low labour force estimate (37% of population), in 1980 the formal wage employment total was under 12% of the labour force - 53% peasant agriculture, 35% informal.

75% of wage employment in 1979 was public sector (roughly 40% government, 17% Cocoa Board, 18% other public enterprises). On the face of it minimum wages fell to 20% of 1970 levels in real terms and average wages to 17% by 1983. The decline was greater in the public sector.

These data indicate the squeeze on wage earners but overstate. Allowances (of over 100 varieties) rose very sharply relative to wages over the 1970s. In the public sector they may have averaged $\frac{1}{2}$ wages in government and $\frac{3}{4}$ in enterprises while in the private they often exceeded wages.

Further by 1982 hours worked in the government sector (and Cocoa Board) probably averaged 15 to 20 per week. Informal sector activity plus production for own use probably used twice as many hours and yielded an average income

equal to wages while other household members informal sector incomes also (on average) probably approached wage income.

This estimate squares roughly with a very small 1983 survey in an Accra slum (Nima-Mamobi) which showed expenditure per household four times the minimum wage (and three fifths of the estimated absolute poverty line budgetary requirement).

The salariat (perhaps 10-15% of wage earners) have - at least in the public sector - fared still worse in relative real income fall terms. In the government the minimum wage/top salary after tax differential fell by 1985 to 1 to 1.8. This was less true of the private sector.

However, a complicating element is that housing and - in the private sector - car provision (a key parallel income production asset) in kind could equal or exceed apparent salary. Further, managerial and bureaucratic salariat members had opportunities for relatively lucrative skill (e.g. doctors' private practice) or job related informal - or parallel - incomes. By and large the more honest a salariat member (and especially the more conscientious in working full time) the worse he fared.

The informal sector consists of a small entrepreneurial minority, a large body of petty service or craft business self employed and a significant number of casual or small unit self employed. On average real incomes fell -probably not as fast as for wage earners. However, those entrepreneurs able to fill production gaps or - more frequently - collect scarcity rents (including parallel market ones) were substantial net gainers.

The business sector performed poorly especially for large, non-financial enterprises and for production (as opposed to commercial) enterprises/capitalists more generally. The only gainers in real terms were rent collectors - usually in the parallel market and/or having 'bought' access to scarce government allocated resources.

The armed forces fared better (i.e. saw less worsening of their real incomes - especially at "other ranks" level) than most social actors. Their wages performed little better but they received food and housing for themselves and their families.

Foreign finance sources did not lose drastically over 1973-82 - except for investors who saw little or no formal returns remitted (informal is another matter) earnings remittances and their assets run down physically and in real value. The reason is that multilateral and bilateral aid, export credit and commercial lenders largely steered well clear of Ghana except in special cases - e.g. rural water development (bilateral), palm oil development (Ghana) and exports on credit prices to include risk and delayed payment elements. Certainly not insignificant commercial credit arrears were accumulated and some supplier credits were quasi-unilaterally rescheduled. However, the former were on transactions into which the sellers had almost certainly built substantial margins for possible late payment and the latter were on contracts which - even when no corrupt practices were involved - were usually massively overpriced.

Their importance as of 1982 was that without more finance - and more general import support useable finance in particular - no feasible rehabilitation and recovery and probably no feasible stabilisation scenario could be composed. It was the realisation of this constraint which led the PNDC (Provisional National Defence Council) government to alter its adjustment tactics (and perhaps strategy) radically in 1983.

Distribution And Growth

In Ghana redistribution away from export crop growers - to urban areas and to the state - has probably worsened income distribution. Probably because the core of tree crop growers who produce the bulk of output still have incomes well above the national average. More critical it has reduced exports and thus import capacity and possible growth rates. Certainly in Rawlesian terms this redistribution was unsound.

Redistribution away from food crop growers has been less (and primarily by inability to raise output and secondarily by rising imperfect market grower price to retail price gaps as there has never been a significant state marketing presence in domestic foods). What there has been clearly worsens income distribution. Whether - given other constraints - it has radically reduced food production is less clear.

Real wage falls have worsened income distribution and reduced productivity. While real salary falls have in fact improved urban income distribution, they have resulted in bleeding not only the public sector but also the economy of a high proportion of the skilled and professional personpower it had trained. For example, by 1984 about 1,200 of 1,600 Ghanaian doctors were practising outside Ghana.

The 'rise' of the informal sector has clearly facilitated urban survival. However, much of it has low productivity in terms of personal income levels and - in a less warped economic context at least - negligible or negative national economy value.

'Legitimate' business decline has perhaps lessened inequality but that is less important than its negative impact on investible surplus. Parallel business (and associated informal sector members) have done well - worsening income distribution and diverting resources into channels adding little (or less than nothing) to national output and eroding the real incomes of the bulk of the labour force.

The Politics of Distribution

The political economy of distribution in Ghana has been regional as well as sub-class. Most notably, the tendency to overtax and underpay cocoa producers is not separable from the fact that main cocoa growing regions (Ashanti and Brong Ahafo) have been 'outsiders' in every government coalition except the 1969/72 Busia one. Interestingly the PNDC government has shown concern for raising real grower prices since its inception although these regions are usually viewed as at least passively hostile to it.

The outlying regions - Northern, Upper, Western and sometimes Volta have tended to line up against the inner (and rather economically better off) Eastern, Central, Brong-Ahafo and Ashanti. The Accra region (like Sekondi-Takoradi in the West) has been a swing area with urban informal and organised labour (not by any means always congruent in interests or demands) dominant and business and professional usually (but not always) secondary in political influence.

Organised labour was a factor in bringing the Nkrumah government to power. More consistently it has been a power in breaking governments with initial honeymoons followed by bitter divorces. Relative to the urban informal sector and the majority of the peasantry organised labour was relatively well off until the 1970s. Today a formal sector job (including allowances) is not adequate for household survival but is an assured base from which to build other incomes and/or a revival in real wages. Ironically although real wages have doubled since early 1983, the Trades Union Congress has become openly hostile to the PNDC government. In part this represents the fact that 1983 levels were so low that 1987 ones still are quite inadequate for a single wage to support a household and in part a remarkable series of botches in handling allowance and wage changes. But at bottom Ghanaian organised labour still seems unwilling to accept the limits of the possible and the government to be able to make a credible exposition to labour of their nature.

The urban informal sector (excluding its elite and parallel - i.e. illegal - strata) has like organised labour tended to be an initial supporter of populist or purported populist governments (Nkrumah, Acheampong, Liman, Rawlings) but to subside into disillusion (rather than to campaign actively) against all governments with the possible exception of the Rawlings interim regime and perhaps the PNDC governments because it perceived that they did little or nothing for it.

The informal elite - especially "market mummies" have been a well organised pressure group effective in forcing retreats from policies hostile to them (including by the PNDC) and in operating effective pseudo or quasi oligopoly "rings". On the face of it food trading at least at retail level should be competitive. However, the uniformity of prices, parallel price falls late in the day and quantities of perishable produce regularly thrown away do tend to corroborate the now universal view of Ghanaians that in fact they are managed in an oligopsonistic manner.

The middle classes - led by professional organisations - and the now linked traditional (chiefly) leadership have traditionally backed conservative, distrusted populist and sought (notably successfully late in the Acheampong-Akuffo period) to organise opposition to oppressive ones. The difference is that the traditional leadership sub-class has in practice been

easier to buy and/or co-opt. They have always, however, been somewhat fragmented and appear especially so now because the coherence, honesty and willingness to use professional skills of the PNDC government appeals to a large fraction while an equally large one distrusts its populist approach to income distribution and a smaller one accuses it of having sold its soul to the IMF.

The security forces have a chequered political history - overthrowing all three civilian governments, forcing changes of leadership in two military ones and overthrowing a third. The balance of power seems to have shifted to lower level commissioned officers and rank and file who are well disposed to the PNDC even though it is in no real sense a military government.

Business interests - as such - have not in practice been taken very seriously by any pre-PNDC government. Each has had, used and been used by particular businesses and has moved against those it believed inimical to it. After initial deep hostility (in part inherited from the interim Rawlings government and related more to overt and pervasive corrupt government official-private enterprise symbiosis than to any formal political economic ideology) the PNDC appears to be viewing enterprises (private and public, Ghanaian and foreign) rather more pragmatically in terms of how they might serve its goals and what (semi-market oriented, general, non-corrupt) policies might further such an effort. A tentative positive response - including the re-emergence of some parallel market activity into visible (and less certainly legal) channels - appears to have taken place on the business side.

Over 1965-1981 (and especially after 1969) government's ability to provide benefits - however defined or distributed - declined. Its fall in real resources to provide services (including payoffs) and its demonstrated inability to achieve economic growth or to maintain real incomes led partly to hostility but perhaps even more to exit from the political marketplace. Since 1981 this deterioration has been reversed - up to a point. There is a partially restored belief that the government can achieve economic gains overall so arguments on how to distribute (bid for) them are once more live. Apparently (despite limited actual results to date) there is a parallel belief that more health and education will be provided so that bidding for these has also revived. While this renewed credibility is welcome in the sense of marking a return of more Ghanaians to participation in the political aspects of

civil society, it also leads to risks of unrealisable expectations and anger at the slowness with which gains become available to anyone. The PNDC is clearly being judged by higher standards than the Liman administration and may or may not be able to meet the new minimum acceptable performance levels.

The Development of Poverty/Survival Mechanisms

This sketch conveys the thrust of economic decline but not its full human dimensions. By 1982/3 about half the urban and over two thirds of the rural population were below the absolute poverty line - a situation worse than the average for low income SSA. The estimated average daily calorie intake in 1982 was 68% of requirements.

Public service deterioration was even more marked. From an early 1970s level of 2 person per year visits to public sector health facilities declined to 0.7 in 1979 and 0.4 in 1983 (and by the latter year up to half were in Christian Health Association of Ghana facilities).

The costs of these declines show in the Quality of Life Indicators table, e.g. child malnutrition, average life expectancy at birth, infant mortality. Their costs to present and future output should also be clear. Sick, malnourished people cannot work long or hard and the declining quality of education and high "brain drain" bode ill for future managerial, administrative and professional capacity levels.

The main survival mechanisms can be characterised as stabilisation (austerity), diversification (increasing range of income sources) and structural adjustment (changing basic occupation). The latter two categories include legal (or at least quasi legal) and parallel (illegal) variants sometimes both within the same household.

Stabilisation - i.e. belt tightening and doing without (including without belts) - has applied to 90 to 95% of all Ghanaians. This is readily understandable when one realises real per capita personal consumption has fallen over a third from its 1960 peak. Such austerity has been enforced on those - e.g. isolated peasant farmers - with few options and least intolerable for middle class Ghanaians who already had a house, car and consumer hard

goods.

But diversification has been essential for almost all wage and salary and non-agricultural informal sector households. (It is prevalent in rural areas where additional craft or labour incomes could be found - probably affecting a minority of households.) As noted earlier, wages - even with allowances - probably cover half or less of typical wage/salary household expenditure. Moonlighting (virtually all informal) and perquisite misuse (taking bribes, selling information and stealing products) by formal sector employees and sending more household members (especially women and children) out to work longer (by both formal and informal) have been the means to diversification. Part of the income comes from handicraft and household own consumption food, part from food processing but most from (licit and illicit) commerce and bribery/theft.

Structural adjustment to new main activities is less common - and less commonly admitted, e.g. a university lecturer whose main household income comes from painting, the second largest contribution from wife's trading and the third largest from food gardening will still describe himself as a lecturer. Part of it does represent entrepreneurial creativity and socially useful adaptation. Much does not - e.g. the widespread smuggling, trading, currency and corrupt practices operations. The 'illegal' sector is either a small or a large one depending how one counts tens of thousands of farmers who smuggle on the side or sell to smugglers and scores of thousands of traders who operate on the maxim "if you buy parallel you must sell parallel". Operationally and in terms of policy targets this group of contextually constrained 'illegal' sector members should probably be excluded here and treated with other "diversifications".

What low (ex post) and middle income households have achieved is survival. Survival has been a remarkable achievement - but a limited one. Declines of up to one third in average calorie intake and re-emergence at the end of the 1970s of two killer diseases, yellow fever and yaws eradicated in the mid-1950s give an empirical idea of the fall and of the human misery and death resulting. So does even a casual visit to urban slums or poorer rural areas.

The Road To "Chopping Off The Backside"

Corruption and smuggling have never been absent from Ghana. But until 1966 the latter was very low by West African standards and the former largely confined to a narrow circle of senior politicians and entrepreneurs. Corruption rose marginally - though it remained well below Nigerian levels - through 1972 and smuggling began to become more than marginal as cedi overvaluation and cocoa underpayment rose.

1972-79 saw corruption become generic in the officer corps and not uncommon in the public service with the main payers on the one hand rent seeking businessmen and on the other public services needing ordinary citizens. It would have been false to state at that point that the whole public sector was corrupted. Smuggling had risen with the steady rise of gaps in respect to exchange rates and cocoa prices.

1979's first Rawlings regime sought to administer a short sharp shock to rip corruption up by the roots. Several ex-leaders (including three ex-heads of state) were executed, hundreds imprisoned and/or confiscated, thousands affected by burning of "market mammy" stalls (notably at Accra's main Makola market) and by forced sales at official prices. A vein of public anger was tapped and, for the time being, corruption was limited. However, smuggling and related parallel marketing were forced to hide - or to suspend operations temporarily - rather than halted as the economic imbalances which were their engine of growth were not tackled.

The Liman administrations's major economic innovation was to achieve a system of generalised corruption and of generalised parallel marketing. The former has become known as "chopping off the backside" (from the Westcoast verb "to chop" literally meaning to eat but more generally to achieve an income or benefit by a non or illegitimate market channel). It was, and to the not negligible extent to which it survives is, in effect a hierarchical patronage system of corruption (bribery, theft, misallocation) run by senior officials and managers. It arose because the top corrupt or would-be corrupt individuals feared 1979 would come again and felt the more middle and low level Ghanaians they co-opted into the system the safer they would be. It was furthered by the continued collapse of real wages and salaries (especially in the public sector) which meant that extra income from somewhere was vital to

chop literally at all. Flight Lieutenant Rawlings' angry and agonised claim that the Liman government had made corruption safe by corrupting the whole people overstates the degree of central planning involved and somewhat the numbers who were (are) "chopping" in one way or another but is basically a revealing insight into the process and its results. Smuggling became massive and prices even of legally imported goods were keyed to the parallel market because the degree of overvaluation (measured not in per cents or even 10's of per cents but 100's of per cents) had become ludicrously high.

Ghanaian "chopping off the backside" is a perverted relative of a mutual obligation approach sometimes called "I'll take care of you, if you take care of me". Its more acceptable face is family, clan and home place loyalty and self help. During the recent crises years positive (for survival) adjustments to it included both separate households of the same family and neighbouring households eating together and of sending children to relatives and friends who had more food. (The grimmer face of the latter was "child pawning", i.e. selling children a family could not support as household, farm, begging ring or market labourers to help both the parents and siblings and the "pawns" to survive.) Similarly, prepared food sellers (dominantly women with small stalls or portable 'kitchens') carried poor informal and wage earners until they could pay - a method of reducing the costs of highly erratic individual incomes by pooling via the food seller whose revenue evened out as some paid up and others ran up debts.

The PNDC government has found fighting the widespread "chopping off the backside" system hard. Investigations, tribunals, firings, trials and sentences abound but - as Flight Lieutenant Rawlings not merely admits but asserts - at worst corruption is being held at bay and at best it is being beaten back very slowly. The Liman years did indeed build a school of minnows of petty corruption in which the sharks of major corruption can find cover and reproduce corrupt symbiotic links. This is assisted - and the PNDC hampered - by the continuing economic strains which force most workers into either quasi legal informal activity or petty parallel chopping.

Smuggling and related parallel marketing has declined. In part this may relate to a greater chance of detection and conviction, but largely it seems to flow from lessening the incentives to evade legal channels which flowed from massive overvaluation and underpayment. The PNDC's shift to using legal

price signals/market mechanisms to complement improved anti-economic crime detection/enforcement appears to be a conscious one and to be having a measure of success. Certainly the large stores are now openly stocked to levels and ranges unknown since the late 1960s - a situation which is the result of parallel practices becoming less attractive in comparison to overt, legal ones as well as (perhaps more than) to increased physical stock and flow levels. The increases in visible goods clearly cannot be used in any simple sense as an index of welfare improvement for another reason - most Ghanaians cannot afford to buy them. In the late 1960s one wage earner commented that in the late Nkrumah period he could rarely find goods in shops but when (if) he could then he could afford them but that then (under the MNC) there were lots of goods in the shops but at prices he could not afford. While the first half of the comment applies not at all to the 1979-81 (Liman) period and very partially to the 1982 PNDC one the second half very much applies to 1985-86.

The Adjustment Programme

The 1983-85 Stabilisation/Adjustment programme was basically traditional or new orthodox with one exception. The exception - a deliberate immediate import capacity increase target (via increased concessional finance) - is in fact becoming standard for SSA Fund/Bank programmes.

The programme was based on an initial shock treatment - particularly in respect to the exchange rate - followed by sustained gradualism and supported by gradually increasing real resource inflows over 1983-1988.

Its main elements were:

Devaluation - shock treatment in 1983 from Cedi 2.75 to 30 to the USA \$ followed by rapid downward crawl in 1984 to Cedi 50 to the \$. In 1985 for reasons which are not clear the downward crawl slowed sharply with the rate reaching only 60 to the \$. (This was an unfortunate deviation as for reasons extraneous to the programme 1985 saw a once off low inflation rate as a result of food price falls.) This was followed by a second shock devaluation to Cedi 90 to the \$. The third shock treatment - moving to a 'dirty' auction system in the second half of 1986 with a year end rate of 150 cedi per \$ (vs a parallel rate of the order of 200) was not part of the IMF's initial or

subsequent proposals.

Fiscal policy called for reducing the government borrowing requirement initially largely by expenditure cuts - an approach which seems somewhat odd when government spending was under 10% of GDP and the borrowing requirement under 3%.

Monetary policy was designed to hold domestic credit formation below 20% (largely by reducing government borrowing) and to achieve positive real interest rates to raise domestic savings. By 1985 interest rates had reached 20%.

Cocoa prices were to be raised rapidly in real as well as nominal terms. At least implicitly it was assumed that this would be consistent with raising the net government revenue from cocoa because domestic prices and Cocoa Board costs would grow less rapidly than Cedi receipts would be boosted by devaluation. Additional foreign resources were to be mobilised from the Fund, the Bank and bilaterals to finance additional imports, service existing debt and reduce arrears.

Liberalisation included ending almost all price controls (which were virtually totally ineffective) and - except for cocoa, shea nuts and palm oil - all ceiling agricultural purchase prices (which affected a negligible proportion of output in 1983). It also included no questions asked licensing of "no forex" imports to capture the proceeds of outward smuggling for legal channels and to increase remittances from Ghanaians abroad (then probably of the order of 1,500,000 of whom 600,000 have since been repatriated by Nigeria) and to switch smuggled imports into channels allowing duty collection. Import licensing except for "no forex" imports was to be retained and made more efficient by systematic prioritisation.

Inflation was to be reduced sharply from the 50% to 116% rates which had characterised the late 1970s and early 1980s (albeit the 1982 rate had been 22%). This was seen as possible because for most transactions - at least at retail level - it was believed that prices were related to the parallel exchange rate - not the wholly artificial official one.

Results 1983-86

The programme's results were mixed but in its own terms basically satisfactory. Several weaknesses which emerged were outside the initial programme and raise doubts as to whether its targets were comprehensive enough and its instruments (especially in respect to public expenditure) appropriate.

Price increases rose to 122% in 1983 (145% food and 100% non-food) but fell to 40% in 1984 (11% food and 69% non-food) and 12% in 1985 (-11% food and 50% non-food). A plausible preliminary 1986 estimate is 25% (15% food, 35% non-food). In both 1984 and 1985 non-food prices increased by more than the increase in the price of forex (69% to 60% in 1984, 35% to 20% in 1985). Over the course of 1986 the rate rose from 60 to 150 cedis per dollar or 150% although as noted the initial rise to 90 cedis had a lagged and squeezed effect on prices because of demand constraints and the same appears to have been true of the auction system related rises of the second half year.

The nature of the price change pattern bears out that most prices as of 1983 had been closer to the parallel than the official exchange rate. However, it also indicates that a substantial portion (slightly over half) of 1983's accelerated inflation related to primarily weather induced food price rises and the bulk of the subsequent fall to weather related food price stabilisation. Thus the positive real interest rates achieved in 1985 were lost in 1986 and the question of whether inflationary expectations have changed in a way that can eliminate inertial inflation remains open.

Money supply increases were low. Government bank borrowing requirements fell. Enterprise credit demand remained low and banks proved unwilling to expand credit to most of them. As a result banks began to refuse savings and time deposits creating a somewhat artificial stability (and presumably forcing velocity up, especially in 1983). Rather oddly it would appear that lower interest rates and/or less artificial criteria for lending to enterprises would have increased monetised savings. They would also have tended to limit the tendency to transform money into non-perishable consumer goods and thus presumably modestly reduced inflation.

By the second half of 1986 the somewhat artificial liquidity problem had become acute. Banks were unable to extend enough credit or to mobilise enough

currency for all viable enterprises to meet the conditions of the forex auction. The basic reason, now somewhat ironically, was the artificial curtailment of deposit (especially interest bearing deposit) levels which might be supposed to be counter-productive with enhanced loan demand from a growing number of firms with plausible cash flow and profit and loss positions.

GDP rose 7.6% in 1984, 5.3% in 1985 and 5.6% in 1986 - the first time per capita GDP had risen in three consecutive years since the 1950s. In 1986 it probably was above population growth (2.6%) and possibly 4% or better. This growth was fairly widely distributed sectorally albeit the high 1984 level relates in large part to weather related food crop harvest recovery.

Exports fell sharply from \$641 million in 1982 (and \$1,104 million in 1980) to \$441 in 1983 partly on volume decline related to weather and continuing infrastructure deterioration and partly to price changes. The 1984 recovery to \$566 million was dominated by favourable price changes but those of 1985 to \$632 million and 1986 to \$773 million did reflect substantial output increases albeit in 1986 the gold price rose significantly.

Public services provision was badly hit by budgetary curtailment in 1983 as was public infrastructural investment. The ratio of budgetary spending to GDP fell to about 6.5% (5.5% recurrent and 1% capital) and of revenue to 5.4%. Further, the control method used of centralised, specific releases of funds for a wide range of items while effective in curtailing expenditure also curtails its efficiency.

The overemployment/underemployment problem has yet to be tackled squarely. The complementary resources available are at most adequate to justify half the present public service and Cocoboard establishment - who on average are in fact working half time or less, a situation enforced by present pay levels. 1985/86 attempts to raise minimum wages 30%, decompress after tax differentials from 1 to 1.8 to 1 to 5 and to rationalise/increase government (and reduce public enterprise) allowances within a 30% pay-roll boost have created an impression of total confusion, a discrepancy in the Budget probably of the order of \$100 million and very considerable worker resentment.

In the most overstaffed parastatal - the Cocoa Board - employment at 89,000 to 110,000 (depending on coverage) could sensibly be cut not by 16,000 as proposed and probably achieved but to 16,000 (or perhaps 25,000 including certain related activities). To do so is critical to raising the growers' share in export proceeds without creating fiscal havoc. But such cuts are only possible if replanting and field staff laid off can be allocated replanted or replantable areas and assisted in becoming cocoa (or other crop) farmers. It is by no means self evident this could not be done but given the probable short run political cost and the illusory nature of the Ministry of Agriculture's service delivery and programmatic capacity the chances of such an exercise are problematic even though first steps have been taken and more are scheduled.

The need to raise - not lower - the Budget/GDP ratio is now recognised and indeed it has recovered to about 12% (9% recurrent, 3% capital) on expenditure and 9% on revenue side and rehabilitation programmes for education and health are at pledging conference stage. Revenue raising priorities however appear odd as well as raising problems for the access of poor people and vulnerable groups. While a remarkable number of low unit value, high administrative cost fees are being introduced sale and excise taxes with few exceptions remain derisory (1.5% on schnapps, 0.5% on soap as a proportion of retail price) partly at least because old specific rates have been raised - rather than converted to ad valorem scales at plausible levels - with no apparent realisation how derisory inflation had rendered their base levels.

Fixed capital formation is now prioritised to rehabilitation and bottleneck breaking albeit some project priorities appear odd - e.g. a low traffic new highway from Accra to the Cote d'Ivoire border while the main north highway remains out. In 1987 \$65 million was at last allocated to the Great North Road from Kumasi through Ejura, Tamale and Navongo to the Burkina Faso border but only after several hundred million had already been earmarked elsewhere. In this case EEC (and ECA) commitment to promoting regional cooperation clearly resulted in a spurious priority being given but Ghana should have developed and stuck to a systematic highway reconstruction and upgrading priority list. However, its absolute level appears dangerously low when compared to plausible depreciation estimates. Net fixed capital formation was 0.5% in 1982 on what was even then a rather low depreciation estimate. It has risen to 5.4% in 1985 largely because the depreciation rate has been halved -

otherwise it would be 2.0% (and on depreciation/capital stock procedures comparable to those used in a study of Zimbabwe it would be negative). The domestic savings rate remains low - perhaps 6% gross in 1985, but virtually certainly negative at net level.

Causal Relationships

Joan Robinson once remarked that if one cast incantations (curses) on sheep and dusted their pastures with arsenic there would be a high correlation between incantations and sheep mortality. Given the brief period since stabilisation and recovery began in Ghana the inverse problem of separating incantations (proprietary) and improved pasture arises.

1983 results were affected by the worst drought in Ghana's history and 1984 through 1986 by three years of above average rainfall. Import recovery via external resource transfers rising at gross level from \$237 million in 1982 to \$575 million in 1983, \$514 million in 1984 and \$543 million in 1985 and \$469 million in 1986 clearly would have allowed increased output almost independent of particular policy choices. However, these funds could not have been secured except for the adoption and continuation of the Stabilisation/Adjustment Programme. Given the 1966-1983 (or as the external financial sources saw it 1957-1983) record, the Ghana government had very limited credibility for bargaining on the parameters of the programme and given the chaotic and disintegrating state of the economy it also had little time to seek to negotiate alterations.

The extent of import increases can be overestimated. 1981 levels (a desperate, unsustainable attempt of the dying Liman regime to hang on) have never been regained and much of the additional finance has gone to make 1982-83 levels sustainable, to reduce arrears or to service debt rather than to boost imports directly.

1982 imports of \$631 million declined to \$500 million in 1983 before recovering to \$616 million in 1984, \$726 million in 1985 and \$780 million in 1986. Even the 1984 and 1985 increases are higher at apparent than real level as some formerly smuggled imports have returned to "no forex" and other official channels. Indeed imports are not projected to regain their official

nominal price 1979-81 average of \$925 million until 1988. Therefore it is hard to argue that better overall economic management has been irrelevant to or insignificant in 1984/85 recovery.

While 1983-85 was marked by more centrally allocated imports, the quality of allocation was very patchy. Key imports - e.g. steel for agricultural implements, the drug import counterpart of the approved health budget - have not been given priority while non-priority list amenity goods have been imported. Somewhat ironically the World Bank temporarily emerged as the champion of a tough, prioritised, centrally operated forex/import licence allocation system. It also - as a third best presumably - begun to stress the need for sectoral import support aid with uses tied to Ghana government stated priorities which have to date gone missing in the allocation process.

The 1986 auction system took most enterprise sector import outside the allocation system which applied only to government and a handful of general input (e.g. petroleum) imports. While there have been limits on approved uses, so that through mid-1987 there was probably little bias against producer goods.

In 1987 the auction system prices were applied to all transactions including petroleum imports, debt service and cocoa exports. More startlingly plans were announced to remove nearly all restrictions on current account uses (including consumer goods with a limited exception list, dividends and business expenses) de facto dismantling import licensing and current account exchange control. The first tranche (covering 40% of consumer imports) is to be in place by early 1988 and the liberalisation completed by 1989. These moves are clearly World Bank instituted and are presumably trigger clauses for its programme aid (which is critical to the auction).

Their impact on manufacturing is likely to be negative even if a coherent tariff system is in place by 1988. While perhaps 60% of Ghanaian manufacturing capacity is competitive and another 20% may be (estimates not very dissimilar from the Bank's) that assumes rehabilitation of plant, access to operating inputs and time at moderate to high capacity utilisation to restore financial viability. These conditions cannot be met by 1988 or 1989 and - given demand patterns and experience with other SSA auctions - there is every likelihood of a severe squeeze on operating goods imports. Quite

substantial actual de-industrialisation and even more blocking of re-industrialisation appears likely.

However, the 1985 cocoa export recovery and the 1985/86 crop purchases increase of over 40% on the 1982/83 low clearly owe much to the lagged results of 1982-85 cocoa price increases as does the reappearance of shea nuts as a 'visible' export. The explosive recovery of timber exports from \$12.3 million in 1982 to \$30 million in 1985 and an estimated \$60 million in 1986 was made possible by programme loans made under the programme combined with the price incentives given by devaluation and the same can be said of the halt in gold output decline albeit still at levels 10% below 1982 in 1985.

The defects (or disasters) of results in respect to basic services, investment and protection of vulnerable groups are equally not fully causally related to the programme. In the first place continuation of 1973-81 non-policies or 1982's "bootstrap" attempt would have produced worse results. In the second, there has been substantial and fairly prompt revision in respect to basic services albeit less evidently in relation to vulnerable groups or net investment levels.

However, the initial approach to the Budget of cutting expenditure rather than raising revenue was clearly unsound and the particular methods of cutting used probably reduced the effectiveness of expenditure.

Selected Problem Areas

Cocoa is a central problem area in several senses. No reliable effective hectareage (excluding moribund areas and adjusting thin stands by some standard trees per hectare formula), yield per hectare, production, smuggling or replanting figures exist. The present policy and projections astoundingly treat output as identical to official purchases. As 1982 smuggling was probably in the 50,000 to 75,000 tonne range and the 157,000 to 225,000 tonne official purchase recovery over 1982/83-1985/86 may well be about 1/3 weather, 1/3 clawed back smuggling and 1/3 higher production proper (from better care and/or greater availability of machetes, spray and sprayers) to elide output and official purchases seems unsound.

The lack of data on replanting (not least to filling in gaps in existing bearing farms) - known to have been very low over 1960-80 but recovering at least in 1984-1986 - makes output projections highly tentative.

A broader problem arises with 300,000 to 350,000 tonne targets. Over 1971-1982 primary exports of cocoa fluctuated around a level of about 1,100,000 tonnes starting and ending at 1,184,000 and 1,187,000. Even including pre-export processed products (a growing share in most cocoa producers including Ghana), world demand growth at constant prices appears to be no higher than 2%. With price elasticities of the order of .15 to .20 short term and .3 medium to long, the implications of sharp production increases are only too clear. If Ghana raised exports from 150,000 to 300,000 tonnes this would boost global supply by 10%. Malaysia's explosive rise from 24,000 tonnes in 1979 to over 100,000 today and a 1990 target of 200,000 based on trees already planted adds another 7%. If half of the Ghanaian increase was full clawback of smuggling the impact would be less severe, but on any view cocoa price prospects for the rest of the decade do not look promising.

Indeed if one takes Ghanaian (150,000), Malaysian (over 100,000), Ivoirienne (over 150,000), Nigerian (at least 50,000) and other producer (at least 50,000) 1985-90 output projections seriously it is necessary to project an impending cocoa market disaster (not price increases as projected by the Cote d'Ivoire or approximate stability as posited by Ghana and apparently the World Bank). These increases total over 500,000 tonnes (over 33%) when the record suggests that over 5 years at most 100,000 tonnes (6.2/3%) can be absorbed at constant real prices. At a -0.2 short term price elasticity, the price on the 26.1/3% 'excess' supply increase would actually fall below zero.

Clearly the elasticity would not remain constant over that range nor would all the output rises materialise in the face of radical price falls. However, the International Cocoa Agreement seems virtually certain to be unable to defend its new (lowered) floor price for longer than 12 months with a subsequent free fall until some output is squeezed out quite likely thereafter. Unfortunately Ghana's overall financial position is such that it can hardly expect to be able to sustain production (however economically efficient and however absent the export alternatives) if Malaysia, the Cote d'Ivoire, the Cameroon and Brazil decide to use interim subsidies to ensure the survival of their sectors at or near projected levels.

Rehabilitation and expansion of the cocoa processing plants (cocoa butter, powder and paste) probably merits more attention than it has received. The process adds substantial value added without increasing pressure on prices and if modernised/restored to full capacity the plants should at least break even.

Exports more broadly pose problems. To build a base for moderate growth - including capacity rehabilitation and utilisation and investment in structural adjustment - without exceptional finance requires a once for all doubling of exports and a subsequent 5% a year growth path.

Over 90% of exports come from timber and products, gold, manganese, diamonds, cocoa and cocoa products with the last accounting for 25%. Doubling the exports of the non-cocoa group over 5 to 7 years and thereafter maintaining 5% growth may be just feasible if logs are increasingly substituted for by sawn timber, plywood and veneer and manganese ore by ferro manganese. Even with a massive increase in pre-export processing it is very hard to see how the value of cocoa exports can be doubled, let alone kept growing 5% a year thereafter.

Other exports (under 10%) include shea nuts (a non-irritating oilseed with a growing specialty soap, baby oil and vegetable oil demand) and palm oil. In the case of the former - largely gathered not planted or tended - agricultural changes are needed if supply is to rise; in that of the latter rapidly rising output is generating a surplus but at a breakeven fob price double the Malaysian crushed world price. Beyond that some pre-export processing opportunities (beyond timber, cocoa, manganese) exist, e.g. hides and skins, palm oil (to soap or margarine), gold (smelting and perhaps jewellery). Similarly, backward integration from electricity (the Valco smelter) to bauxite/alumina may be viable for Ghana despite world excess capacity in bauxite mining and alumina processing.

Manufactured export potential - e.g. in textiles and garments if cotton production can be rebuilt - is problematic. It depends on finding specialty niches in the world market (e.g. specialty prints and garments) and reactivating ECOWAS (the Economic Community of West African States sometimes unkindly called "The Echo Was").

Very little serious work, taxonomic or targeted, production or promotion

oriented has been done beyond raw cocoa, logs and sem-refined gold. As these demonstrably cannot carry the load by themselves this would appear to be a serious gap. This gap is common to virtually all SSA Structural Adjustment Programmes, notably to those of Zambia and Tanzania.

One factor contributing to the lack of coherent, articulated export development strategies in SAP's is a belief that with right forex prices exports will follow. However, that is unlikely to be the whole explanation. The Bank has come to realise that adequate export recovery (measured in terms of earned import capacity) for SSA as a whole and for most individual countries cannot be achieved solely via existing primary product exports. It also recognises that under actual projected market conditions diversification of any large SSA economy into the major exports of other SSA countries is likely to rob Peter to pay Paul (i.e. at continental level to suffer from the fallacy of composition). However, it has also lost faith in any early manufactured export breakthroughs (partly because despite the evidence of, e.g. Brazil and South Korea, it seems still to assume these must follow the dismantling of tight protectionism) and has an intuitive (since based on little empirical testing) distrust of pre-export processing. Thus the Bank - and the Ghana government - tend to concentrate on main existing exports' recovery or expansion even though knowing this is manifestly a partial and potentially a very risky 'solution'.

Agricultural policy, services, research and data outside cocoa are uneven and in general weak. No coherent strategy nor set of priorities exists. Of the three stated priorities, one - cassava disease control - appears unnecessary, one - mechanised rice farming - highly undesirable, one - maize - useful but arguably less urgent than millet, guinea corn and yams which are crucial to food security and cash income in the Northern and Upper Regions which are starved for both.

Input supply (especially hand tools, cocoa sprayers and spray and improved seed) requires strengthening. Transport rehabilitation requires main highway reconstruction (especially Kumasi-Manpong-Ejura-Tamale) as much as feeder road and track building (much of which can be, and an increasing volume of which is being, done on a community basis). A coherent research and extension programme linked both to adaptation and testing and to learning from farmers is needed. Data is at present inconsistent and incoherent, anarchic

non-communication and immobility appears a greater problem than overcentralisation, e.g. the one functioning regional programme Voradep (Volta) is not only nearly independent of the Ministry but much of its work is not consciously known there much less to other regions.

If rural income raising - especially of poor farmers - is a serious goal it needs to be integrated into policy. The crop priorities (beyond cocoa and palm oil) would appear to be guinea corn (sorghum), millet, small scale labour intensive rice, cocoyams, yams, plantains, groundnuts, cotton, tobacco, coconut (if varieties resistant to Cape St. Paul wilt can be bred) and shea nut (developing farming - as opposed to gathering - techniques).

For most farmers the main cash crop is a food crop (a fortiori for most women farmers and most poor farmers). In the Northern and Upper Region the paradox of a food trade surplus (yams, groundnuts and grain to the South and Burkina, cattle to the South) and the worst nutritional levels in Ghana has two explanations. The only way to meet cash needs is to sell food even if initial production levels were already inadequate to meet household needs. And the collapse (from depressed controlled prices) of cotton and tobacco which were moderately complementary in production with staple foods and provided alternate cash income sources has increased pressures to sell food. The 1985/86 transfer of cotton procurement to an oil milling/cloth producing consortium and of tobacco procuring to the cigarette company should have a positive impact in this context. Facing high import costs for inputs (or lack of licenses) and unsatisfied local demand together with substantial unused capacity, these users do have a medium term incentive to raise the grower price and certainly to get out and buy. The evident need to safeguard growers against their oligopsonistic interests in holding grower prices down is a medium to long term future, not a present one.

Labour and wages pose a set of interlocking problems with which the PNDC has been grappling with decreasing success. Despite the fact that real wages and real cocoa prices have risen, the combination of trade union militancy for an early return at least to 1977 and a highly accident prone 1985-86 set of contradictory initiatives by the Ministry of Finance have created serious government/trade union conflicts. Given the TUC's role as government underminer these have to be taken seriously.

Real wages are too low to be efficient. Nobody can afford to give a full day's work because nobody receives a full day's pay. Like farmers, wage earners do respond to incentives, not least to negative ones.

Too high a proportion of wage and salary income are allowances and these are too fragmented, unequal and peculiar. There is, inter alia, a near total loss of transparency, a systematic underpaying of the government sector and a serious erosion (in fact if not in law) of the tax base.

Government differentials (after income tax) of 1 to 1.8 as of 1985 were far too low to provide incentives or to retain adequate skilled, artisanal and professional cadres. Given the falling private sector employment the exit options were abroad and into informal self employment. This has also distorted career choices as illustrated by two examples. A driver still is proud that his son is about to win his way to university and hopes he will become a lecturer. A lecturer tells his son not to bother with forms 5 and 6, let alone university, but to become a self employed electrician via informal apprenticeship and learning on the job.

There is no way all government employees can be paid a living wage and provided with adequate supporting inputs (e.g mobility, tools, working materials whether pump spares, seeds, texts or typewriters with paper) in the foreseeable future. The Cocoa Board is the epitome of this with 'employment' comparable to the entire private enterprise sector.

Over 1985/86 the government announced:

- a. a 50% minimum wage increase;
- b. a widening of the government differential to 1 to 5;
- c. reduction of parastatal allowances to government sale;
- d. initiation, cancellation and - in the face of an outcry - restoration of a government service annual home leave allowance of 20% of base pay;
- e. ending parastatal operating subsidies by 1987 with higher charges or lower employment to close the gap (which led inter alia to 500 to 600%

postal rate increases from ludicrous to plausible levels spearheaded by workers' committees when the management showed no sign of knowing how to increase receipts!);

- f. cutting (apparently marginally and in unspecified ways with promised but unspecified 'redeployment') of government and Cocoboard employment beyond cuts already achieved by dropping "ghosts" from the payroll;
- g. holding the government employment bill growth in 1986 to 30%.

As is - or ought to have been - self evident the Budget target was not consistent with the pay and allowance changes - possibly by as much as Cedi 8-9 billion (\$90-100 million at that time). Overall the Budget did stay within borrowing targets and indeed below estimates but only at the price of draconic cuts in non-wage and salary recurrent spending below actuals. Further, the threatened cuts in public enterprise allowances, the spectre of large scale redundancies and the too-ing and fro-ing on the (patently ill thought out) leave allowance, have alienated workers, ignored specific case by case realities and created an aura of indecision and incoherence (intriguingly more in respect of Finance than of Labour). What they have not done is provide a strategy for resolving any of the major formal employment sector conundrums.

Budget strategy and management increasingly appear to be problematic areas rather than pillars of strength. The initial reduction of government spending is now perceived as an error and has been reversed but its costs in nearly detroying government health services and gravely undermining education, transport and works and agriculture remain.

Expenditure control is effective at keeping within estimates primarily by releasing most items included in the Budget only on a case by case, need proven, funds available, cleared at top Treasury level basis. Unfortunately this also tends to slow down and in part paralyse an already weak and slow moving government system. Indeed it may not actually hold expenditure down as well as it appears to do. The level of unpaid bills is high - twice annual development vote in one case which may not be atypical - and appears to be rising. The cost is high - e.g. because of unsettled clearing and forwarding charges the average time needed to secure release of government drug imports

was as of 1986, 14 months.

The Budgetary process has broken down. The last detailed actual expenditure data are for 1977/78. More recent estimates are very shaky, inadequately broken down and so suspect they are little used in the Treasury and nearly unknown to operating Ministries. The non-wage share is so low (6% of total recurrent for education and 8% of decade earlier real per capita levels for health in 1986 to give two examples based on estimates which probably overstate actuals) that the resource use cannot be efficient. Nor can a process of basically Treasury articulated targets (with weak Ministerial inputs); no releases except for wages and salaries and some Treasury selected payments of back bills until the Budget is promulgated 2 to 4 months after the start of the fiscal year; no certainty most non-salary allocations in budget will in fact ever be released nor if so when; inadequate and decentralised accounting making Ministries de facto unable to tell what their actual disbursements and unpaid bills let alone commitments are. In normal terms this is not a budgetary process at all; cannot help but lead to inefficient use of the resources made available; prevents coherent ministerial annual (let alone forward) planning and pretty effectively removes any basis for holding Ministries accountable for expenditure levels of efficiency. While 1987 announcements indicate an intent to reform (oddly apparently primarily by juggling institutional patterns) with Bank technical support they do not give much of a clue as to how fully the disintegration of the budgetary process (dating to the late 1970s but still - if anything - worsening) is recognised.

Revenue base reform has been real but uneven. The continued dependence on cocoa export taxes (Cocoboard surpluses) hardly helps restore incentives to growers. It results from very low effective indirect taxes on local products other than beer, cigarettes and petroleum products. In large part this relates to continued use of archaic specific rates, e.g. a tripling of the excise on schnapps (the basic spirit) in 1986 raised it to 1.5% of the retail price while on soap a 60% boost took it to 0.5%. The old exemption of excisable goods from the 'general' 10% sales tax on ex-factory price was made because the excise was then higher, after the late 1970s it protected a highly preferential, revenue eroding set of rates until minor excises were abolished in 1987 but with alcohol remaining undertaxed and both import duty and registration tax on most saloon cars abolished.

Reform of indirect taxes (and consolidating allowances with wages and salaries for income tax purposes) would yield more revenue at less cost than recent attempts to collect fees on millions of small charge transactions. On purely administrative efficiency grounds several - e.g. monthly standpipe user household water charges, fees for oral rehydration salts - appear to be nightmares likely to open new avenues of corruption and strain on already overburdened and lagging accounting systems (as the designated collection agencies who were not consulted in advance agree) quite apart from the fact that similar revenue from taxing consumer manufactures in general and alcohol in particular would seem to have distinct equity advantages.

Basic services - health, education, water - are now receiving attention with at least some priority to basic sub-sectors (e.g. immunisation and primary health care, primary and skills education, rural water). However, to fund these solely out of incremental resources (without major tax reform) will prove a slow process. In health closing derelict hospitals and redeploying their staff and resources could achieve more rapid results. Similarly, substitution for most of the new fees of community or neighbourhood cost sharing (e.g. in food, labour, materials, maintenance, communal collection of pump servicing fees to be paid when/if serviced) could probably further participation, reduce access problems for poor people and raise more resources than individual fees at basic services level. In addition, higher piped water charges to cross-subsidise standpipes would appear administratively, financially and equitably superior to standpipe user charges.

More generally the poor and the vulnerable while clearly of concern to the PNDC at higher levels albeit perhaps less so to the Ministry of Finance are not the beneficiaries of specific, targetted programme attention. Raising agricultural production in poor areas, assisting (by credit or technical assistance) informal sector production, food security, etc., have not been seriously addressed. Indeed, as noted, actual agricultural policy is biased against poor regions and farmers while the fee emphasis in fiscal policy seems likely to reduce their access to basic services in contrast to alternative financing routes.

This is emphatically not to argue that the decline in basic service access and rise in absolute poverty are the result of the stabilisation and adjustment programme. For that the primary blame must rest on 1966-1981 economic policy

and especially on 1972-1981 non-policy, and secondary on 1974-75 and 1979-81 external shock with the 1981-1983 drought cycle responsible for their post 1981 crises. Poor people in Ghana would certainly not have been better off had the 1979-1981 drift continued nor had the PNDC refused to negotiate a stabilisation/adjustment programme acceptable to the Fund and Bank and persevered in a purely bootstrap approach.

Nor is it self evident that the programme itself has harmed them. What is evident is that - quite needlessly - practicable vulnerable group and poor person protection targets in respect to health and education access, nutrition and agricultural production possibilities were not built into the programme in 1983 or 1984 and only very partially since. Even in short term economic and incentive and production terms this was, and is, probably shortsighted. In the medium term it will be a drag both on economic recovery and on social and political stability. The fault cannot be laid solely at the door of the Fund, the Bank and the bilaterals. The Bank and some of the bilaterals, indeed, seem to have spotted some of the gaps and possible ways to overcome them rather more quickly than some Ghanaian Ministries (e.g. Agriculture and Finance).

Prospects: Adjustment Fatigue, Expectations, Imports

Ghana is suffering from adjustment fatigue. The exhilaration of the 1984 initial recovery appears to be wearing off, the expectation of high short term gains (especially by wage employees) is rising and the ability of the government to avoid damaging conflicts or cave-ins (as exemplified by the confused noises on public sector allowances, the unclosed budetary data and the astounding mid-1986 assertion - apparently intended for donor ears only - that the economy was dead in the water apparently leading to the forex auction as a face saving device) is waning.

Indeed 1986 appears to have been a year of overkill on the demand side. Despite 5.1% GDP growth personal consumption appears to have risen by less than 1% - i.e. it fell 2% or more per capita. This surely explains the lower than independently forecast (25% vs 33%) inflation, the retail and probably wholesale margin squeeze, the ability to manage the auction to avoid erratic swings or downward overshoots. Together with tight credit it explains the low

response of most elements of private investment to sustained growth. As real wages (especially in the dominant public sector) and real cocoa incomes (on real price and output swings) rose, food farmers and the informal sector (including literally scores of thousands of small retail traders) must have been squeezed on both income and consumption.

At the same time most Ghanaians are better off than in 1981 - let alone 1983 - and so perceive themselves. In rural areas there is a dynamic of community organisation/mobilisation which is having a not insignificant impact on public service provision and which implies that incomes of many are above subsistence levels.

Continuation of 5 to 6% growth - with rising rates of government recurrent spending and of domestic savings to GDP and a 3% population increase - will not allow much growth in real per capita consumption. While radically better than the 1972-1982 trend a growth of per capita real consumption of 1% or less in line with Ghana and Bank 1986-95 projections a year may not be consistent with social stability.

But even a 5% to 6% medium term growth rate is far from assured. It depends on no new drought cycle beginning before 1989, on a total break with the 1960-1982 food production trend and on no or minor net terms of trade losses. Even if one accepts that each has a .6 probability that implies .36 probability of meeting both tests.

Similarly, the requisite external resource transfer and export earnings levels are by no means assured. For 1988 and 1989 about 25% of the gross resource transfers are identified only by assuming redrawing of most IMF repayments. While export quantity projections may be attainable despite averaging 16% a year if gold and timber recovery can be prevented from sliding further behind schedule and more smuggled cocoa can be clawed back into visibility, the value figures are highly doubtful (barring a gold price boom). Cocoa prices fell in 1985, are falling in 1986 and can be expected to fall further - especially if Ghana production rises significantly. In 1986 an export value shortfall was clawed back by the fall in oil prices (one country's supply shock is another's windfall gain) but the prospects for such dei ex machinae in 1987 and 1988 do not look too promising.

These problems are compounded by distribution issues. For productivity as well as human conditions reasons, rehabilitation of health (primary health care) and of education as well as creation of relevant agricultural services are a priority. This will require tax reform - especially through raising indirect taxes. Labour, especially in the public sector is paid at rates below those necessary for efficiency or labour peace and while retrenching 30 to 50% of the government and Cocoa Board employees and paying the same total wages/salaries might well raise public sector output, it would hardly be conducive to social stability or to avoiding labour unrest seriously damaging to productivity and to expectations unless very substantial self employment at plausible income levels can be generated by targetted, funded government backed programmes which do not now exist even at conceptual level. Further there is a growing awareness that the Northern and Upper Regions are very much poorer and have participated much less in 1983-85 recovery than other Ghanaians and a similar awareness in respect to the urban poor. These concerns are shared by the PNDC government and most of its members wish to be able to act on them before 1989. To do so will require reallocation (by direct state, managed market or investment pattern alteration instruments) in a context in which the room for cuts to other social actors is less than apparent.

Especially given the 1985/86 shifts toward rehabilitating basic services for human, social, productivity and longer term development reasons the Ghana programme to date is a qualified but also a considerable success. Certainly it has achieved stabilisation and the first steps toward recovery and - less clearly - sustainable structural adjustment. But its own sustainability remains far from assured and its long term adequacy is open to doubt.

Some International Institutional Issues

The Ghana programme raises several questions about Fund Stabilisation/Bank Structural Adjustment programme strategy and policy. These appear to be relevant to most major Fund/Bank efforts in SSA.

The IMF appears to be lending short term 8% money to finance either conversion of arrears into IMF drawings or to provide import support in contexts in which no plausible external balance projections suggest it can be repaid except

through immediate redrawing.

This may give the IMF leverage, but at the cost of providing inappropriate programme finance, of leaving the borrowers without first line liquidity if (when) a short term shock hits the programme and of using IMF resources for purposes arguably outside its remit.

The IMF appears to be in two minds on this issue. It certainly does officially - and presumably sincerely - regret being locked in to large, long term lending to (drawings by) a series of SSA economies. On the other hand in some new programmes - e.g. Tanzania 1986 - it has apparently pressed for larger IMF drawings than the country wanted and in at least one - Zimbabwe 1986 - has pressed a state to redraw when it wished - and seemed able - to repurchase all drawings on schedule to restore its first line liquidity base.

So long as Bank Structural Adjustment Programmes are in fact as well as in name (i.e. for major consultative groups backed by large Bank sectoral lending as well as for formally titled SAL's) linked to IMF Higher Credit Tranche Agreements the foregoing problem has major potential implications. At the worst they are that overuse of shorter term, higher cost, inappropriate external credit is a precondition to access to longer term, lower cost, more appropriate! The Nigerian 1986 route of negotiating what amounts to a higher credit tranche agreement with the Fund but then borrowing from the Bank (and the much smaller 1984 Rwandaise programme where IDA credits have in effect been substituted for Fund drawings) may be a way forward but one constrained domestically by the apparent cost of IMF agreements which yield no funds and externally by limits on Bank resources.

In Ghana high use of IMF drawings may have been unavoidable. 1983's external finance was dominantly Bank and Fund - most of the bilaterals hung back to await results. However, the probable price to Fund and Ghana alike is high; they are mutually locked in for the foreseeable future.

The World Bank in Ghana - as elsewhere in SSA - has not been able to achieve pledges equal to its own estimates of minimum levels needed for programme success. This is not for lack of using as much as possible of its own resources but rather results from failing to convince donors that resource flows at the beginning of a programme are crucial - waiting to see what

happens may well ensure failure whatever the country does. Similarly, Bank success at convincing donors to simplify disbursement channels and agree to nationally set procedures to reduce the commitment/disbursement lag is to date distinctly limited.

Ghana faces debt service ratios (excluding supplementary borrowing) of over 65% to the early or mid-1990s as a result of heavy use of IMF and of medium term export credits (both also relatively high cost) as a result of inadequate availability of longer term, lower cost funding. Equally it continues to face very serious lags on disbursements. Indeed the latter were the apparent cause of the Secretary for Finance's externally directed July 1986 bombshell statement that the economy was dead in the water and the whole structural adjustment exercise in danger. While leading to an emergency development assistance (donors) group consultation that statement had major negative repercussions on domestic confidence and seems to have led to the forex auction system being launched more to show dramatically that the Treasury was still able to influence events than because of any very evident analytical case or even because external pressure was overwhelming.

Both the Fund and the Bank appear to have been unduly optimistic about the speed of export recovery (another endemic characteristic of SSA programmes). Neither seems to have re-run world cocoa price projections to see what 150,000 tonnes extra Ghana output would do to prices. Export revenue projections appear to be based on global price projections excluding the proposed additional Ghanaian output.

More generally, as noted above, no articulated, overall, medium term strategy for raising export levels to meet minimum import requirements without (supposedly transitory) structural adjustment aid and to adjust their structure to reduce risk and to increase buoyancy has been developed.

Despite the Bank's own use of restoring 1980 per capita real import levels as a rule of thumb medium term recovery target, the only SSA structural adjustment programme formally centred on meeting the articulated import requirements of stabilisation - recovery - adjustment is the 1986 Tanzania one and there the choice of formulation was the borrower's not the Bank's. The Ghana programme does not include specific sectoral import requirement estimates for targetted output levels and, therefore, is not presented as an

exercise in financing them by a combination of resource transfers and export growth.

Other assumptions - e.g. no drought before 1990 which on the historic record is unlikely - also look optimistic. The problem - except for the cocoa price overestimate and export response lag underestimate - is not that any one assumption is hopelessly optimistic. The difficulty is that if each of 6 assumptions has an 0.6 probability the likelihood of all 6 being on target at the same time is under 5%.

This over-optimism is particularly dangerous when programme are underfinanced to start and heavy use of IMF drawings has left no first line liquidity source available. In the event of a shock there are no safe margins for cutback nor any emergency, interim resources on which to draw.

Both the Fund (which admittedly makes no claims to expertise in this field) and the Bank (which does) appear to have suffered from tunnel vision. Basic needs, food security and basic services were initially overlooked - albeit as noted the Bank became alert to this damaging narrowness before some key Ghanaian ministries and the Fund has at least verbally accepted that many existing stabilisation programmes may pay inadequate attention to such issues.

The Bank and the Fund both accepted that import increases not decreases were necessary for stabilisation, let alone structural adjustment in Ghana and, with a lag, accepted the same proposition in respect to real government revenue and expenditure.

While posing the question of living wages versus sustained over-staffing in the public sector, the Bank arguably has not pressed Ghana hard enough to reach a coherent strategic decision and a scenario for implementing it. This seems to have been particularly true in respect to Cocoboard at least until 1987. The urgency of action there is illustrated by the payout ratio: Growers 31%, Board 34%, Government 35%.

Toward Structural Improvement Of Adjustment Programmes

The balance of responsibility for overcoming the shortcomings identified varies from case to case. However, it is usually shared. For example, the World Bank should take a lead in supporting African proposals for a multi-country debtor/creditor dialogue to identify guidelines for regaining managability of SSA's external debt. But the African states should make rather more concrete proposals as to criteria for satisfactory reschedulings/partial writeoffs (or alternative expansion of soft, long term import support as a de facto writeoff route) and be willing to consider whether uniform criteria for, e.g. the Cote d'Ivoire and Nigeria on the one hand and, e.g. Ghana, Tanzania, the Sudan, Mozambique and Zambia on the other, are either attainable or desirable. Similarly, the basic responsibility for avoiding muddles such as Ghana's 1985-86 wage, allowance and tax changes and the very unwise attempt to shock donors by describing the economy as dead in the water is surely Ghanaian. But, had donors funded the 1983-86 programmes at the levels the World Bank thought prudent and accepted the need (posed by the Bank as well as by Ghana) to speed up disbursements, the Ghanaian Secretary of Finance would have had more room for manoeuvre ("as much space as possible" in his words) and with less pressure to square the circle might well have avoided the miscues.

In respect to achieving minimum prudent levels of financing and debt service relief and a prudent mix of grant, soft and quasi commercial funding with a manageable payments profile, the Bank and Fund need to play the leading role (including Fund reconsideration of the appropriateness of higher credit tranche drawings for structural adjustments likely to last 10 years) as they have more potential for convincing external financial sources than do SSA structural adjustment candidates - including Ghana.

In respect to exports the responsibility is country/Bank. Logically the prime role should be taken by the country but - given the weakness of country expertise re new exports (not least in Ghana) and the weight of the Bank's past over-emphasis on existing primary exports and present apparent over-optimism on relative price shifts fairly rapidly and automatically resulting in substantial export breakthroughs - a parallel Bank intellectual and technical assistance lead is needed. Both should realise that what can be done is likely to be highly country specific.

Fiscal policy and practice should be an area of governmental initiative with Bank supporting technical inputs if necessary. There are some applicable general principles and policies but most programmes come unstuck on details, often context specific ones. However, the Bank needs to continue its new pragmatism on whether (and when) revenue increases are more appropriate than expenditure cuts - the new line sharply illustrated by its switch in respect to Ghana. It should also integrate its support for basic services more clearly into its fiscal priorities (as should the Government of Ghana) and rethink when, what types of service fees are either equitable or cost effective revenue raising devices.

Government leadership on achieving coherent, comprehensive, articulated agricultural sector strategies and goals is urgently needed. Few SSA economies - least of all Ghana - can seriously claim to have them now. In light of the evidence that overall only 10% of output growth variations in SSA are explained by real grower price trends (probably rather more - perhaps 25% - in Ghana), more weight - absolutely and relative to price manipulation - is needed to identify and to act on the other 90% of causation (by the Bank as well as the majority of SSA governments in danger of learning that 'if only we get the prices right all else will follow' precisely as it is being demonstrated to be inadequate). While the Bank can hardly operate shadow agricultural strategy exercises for every SSA structural adjustment candidate, it does need to strengthen its staff in this area or to deploy them on a more prioritised basis. In the Ghana case - the showcase structural adjustment programme in SSA - no in-depth, high level Bank agricultural mission, other than for cocoa, appeared until 1986 in the third year of the programme despite the known (to Ghana and the Bank) weakness of the Ministry and the record of twenty-five years of inadequate food output trend growth which the Bank (though not Ghana) projects to continue for at least the next five years.

Because agricultural research is long term, has economies of scale and coordination and is prominent in the work of only one sub-regional coordination grouping in Africa (SSA) the Bank should play a catalytic and funding role in restructuring and strengthening it. In Ghana it has certainly not meddled on inadequate knowledge but nor has it proposed a feasible, prioritised approach. Unless and until research breakthroughs are achieved SSA's agricultura growth trend will remain precarious (Ghana is no exception).

Restoring infrastructure, inputs, basic services and creating effective extension of what is known could buy 5 to 10 years of 3 to 4% average annual agricultural growth in SSA. But it is vital the time bought be used to create a knowledge base to shift the underlying trend, a priority only too easy for a single country facing difficult resource constraints and choices to overlook or defer too long.

In respect to proper prioritisation for and design of basic services the political will needs to come from the governments (as it does from the PNDC) and be articulated to inform actual resource allocation priorities drawn up between ministerial and treasury professionals (as it arguably does not in Ghana). The Bank is not intellectually a leader in this field but it does have a - somewhat outside its own mainstream - commitment to such services on production, fabric of society (and consent) maintenance and equity grounds which should not simply be encouraged but integrated into its overall approach to structural adjustment. Bringing it in two years after the programme starts, on a semi-integrated basis and with a fascination for user charge financing whatever its technical, fiscal or equity limitations is not good enough.

Income distribution (social actor participation in gains and costs) whether based on equity, social stability, human welfare or/and production grounds is not an area in which external actors can usually shift a governing coalitions strategy more than marginally. Trying to do so may, in fact, produce worse results than accepting that only marginal changes will be acceptable because of new measures to offset what the external actors thought had been 'agreed' in an explicit policy change package or because attempts to enforce the 'agreed' (read imposed) measures rend the fabric of society (Sudan 1985, Zambia 1986 explosions over price increases or freeing excluding wages from the prices increased or freed). Neither result is likely to be economically efficient and the latter is particularly likely to have negative output and government authority/credibility costs. What the Bank and Fund should do is to seek to understand what government's real income distribution goals and motivations are; to look at policies designed to further them with an initially open mind (e.g. Zimbabwe's phasing out food subsidies and in parallel boosting the minimum and other low wages to compensate that group of poor people) and to suggest more cost efficient ways of furthering the stated ends when existing instruments are too costly or inefficient. This should

work two ways, i.e. states pursuing massively and increasingly unequal income distribution - for whatever reasons - and using high cost measures which increase the numbers in absolute poverty (arguably Malawi, Zaire and to a lesser degree Kenya are examples) need to be advised just as fully as ones pursuing fuzzy and impracticable populism or welfarism (arguably pre-1983 Ghana and Zambia). At present only the latter seem to be admonished with much energy or any warning that lack of change might put funds at risk.

One area in which more government initiative - and greater Fund, Bank, donor acceptance thereof - is needed is overall programme strategy and parameter design. The Bank (and occasionally the Fund) in SSA programmes usually does allow the government to do the actual detailed formulation but only on an agenda of the Bank's choosing. This is not necessarily primarily the Bank's fault in all cases. Many SSA governments have been notably lacking in putting up serious alternative agendas and working drawings toward programme blueprints. In cases in which they have - e.g. Zimbabwe, Tanzania, Nigeria - the final agreements do appear to be noticeably different from the standard package. States have often not done their homework - Ghana's 1982 strategy, however laudable in vision, was not practicable and when that became clear to the PNDC late in the year it had no alternative to hand other than the Fund plus Bank one and no time left to seek to draw one up. But the Bank appears to be too paternalistic - or too prone to see itself as a Platonic Guardian guiding low rank "Warriors" (in Plato's class structure) - in its approach to SSA proposals and counter-proposals.

All of these issues - or lessons of experience - do arise from Ghanaian 1983-86 experience. All appear to have more general reference to low (and lower middle) income Sub-Saharan Africa and probably to small and medium sized low and lower middle income economies in Asia, the Pacific, the Caribbean and Latin America as well. A few more rules of thumb may also be generalisable from Ghanaian experience - as swiftly compared with that elsewhere in SSA.

First, avoid gimmicks and especially the belief that they are nostrums which will eradicate basic structural problems rapidly and painlessly. "No foreign exchange" (i.e. external income, asset or - more probably - smuggling proceed financed) import licenses and forex auctions are among the glaring examples. In SSA the former may be relatively innocuous, but also useless, or a very effective incentive to outward smuggling with Ghana illustrating the former

and Tanzania the latter end of the spectrum. Forex auctions may be marginally useful if sensibly managed, but do not obviate the need to have priorities beyond buyer financial resources for allocating imports nor that to take a view on appropriate forex price levels and trends. They may help depoliticise exchange rate (foreign currency price) changes but are not the only method and may well fail to do so if they appear to drive up the auction and parallel market rates dramatically and at rates well in excess of inflation. Why frequent, small, technically (e.g. Treasury, Central Bank) determined changes would not be superior in most contexts (and a panacea in none) is not at all self evident.

Second, assume ten years for structural adjustment of a badly debilitated economy (e.g. Ghana, Tanzania, Zaire; ten years after peace in Sudan, Chad, Mozambique, Uganda) and five years for a less severely impacted one (e.g. Zimbabwe). Attempting to "prove" a shorter period is adequate by juggling projections and assumptions can be very costly. Even with absolutely objective analysis complications, side effects and lags on average tend to be underestimated. If results come faster than expected then the costs of that 'mistake' are low.

Third, make real import requirement and, therefore, export and external financing requirements for ten years and build articulated targets (and plausible means to achieving them) into the core of the programme.

Fourth, avoid underfunding (or funding scabbled together on too costly terms and with too early a repayment profile) and above all 'reconciling' funding gaps by marking down levels needed thereby destroying the feasibility and consistency of the whole programme.

Fifth, recognise that too optimistic goals (which are then not met) and radical and repetitive chopping and changing of policy have high credibility and consent cost both externally and - a fortiori - domestically. Zambia with the 1987 collapse of its stabilisation programme after repetitive missed (resource provider and Zambian targets) and increasing policy incoherence and instability is a glaring current case. This is probably especially true when they follow a period of incoherent policies and sustained economic unsuccess and are nearly certain to be read as a continuation of or return to that record. This cannot mean avoidance of changes when the existing targets or

policies are clearly unsustainable but precisely for that reason it is a counsel for care in pre-adoption projection and policy/parameter design work.

But generalisations from the Ghanaian experience also have severe limitations even in low income SSA. A country with a less anarchic economy, a more coherent economic strategy and a firmer political base may well not need (nor be willing to accept) as violent an initial shock as Ghana in 1983 and may have far more seriously articulated and arguably practicable strategic parameters and policies to counter-propose than Ghana did. These are strengths for the country and its people if and only if the Fund, the Bank and donors/lenders as well as the government see them as assets but wasting assets and do not embark on and continue to voyage through interminable negotiations while the situation worsens (e.g. the Tanzanian case over 1981-86 in which while relative to 1981 external proposals the actual 1986 agreement is much better, the cost in economic weakening over the period has been very high). Per contra a government with a similar economic position but a much lower domestic credibility (or a stronger internal political opposition) probably could not survive adopting and enforcing a programme as stringent as Ghana's. The importance in this respect as well as in focusing systematic attention on economic policy choices (even if some of the initial ones were not viable) of the PNDC's 1982 actions appears to be a potentially generalisable point from the Ghana experience which has been widely overlooked.

Perhaps one final generalisation is in order. Ghana's structural adjustment is the longest continuously running (completing four years in March 1987), externally backed one in SSA. It has had full governmental and very substantial Bank support. It has been - in many if not all respects - conceptually sound and energetically implemented. It has also been lucky (e.g. drought to good weather, oil price fall, relatively good export price performance at least until the second half of 1986). But it is still problematic as to success, intensely fragile to domestic and external shocks and unable to be even relatively assured of meeting basic targets even in a year of relatively favourable weather and external price conditions. Neither GFCF nor real imports have been restored to levels consistent with stable, long term growth. Realistic projections suggest at least six more years (1988-1993) of large (probably larger) special soft resource injections will be needed if Ghana is to be able to return to 'normal' net external financing requirements consistent with 4% or higher average GDP growth (the minimum for

any serious attention to employment, food security, absolute poverty or basic needs). There is no reason to suppose that initial problems, payoffs and prospects will be better in more than a handful (e.g. Zimbabwe) of SSA's 25 odd structural adjustment candidates and good reason to expect them to be poorer and more intractable - in several (e.g. Burkina, Chad, Mozambique, Sudan, Uganda, Zaire). Since, barring the discovery of fairies with crocks of gold payable to SSA economies at the end of two bakers' dozen rainbows, these countries need structural adjustment for their and their peoples' sakes (whatever outsiders do or do not advocate) this is not a counsel not to try but a warning of how costly, hard and lengthy the road is likely to be even when - as in Ghana - some clear gains are won fairly promptly.

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Annex

Population And Per Capita Trends

Ghana population data for most years since 1970 are open to grave doubt. The 1970 and 1984 Census results may well be reasonably accurate but the interpolations between them, the underlying population growth trend and the probable future resident population trend are problematic.

The 1984 Census figure of 12,20,000 shows a raw growth rate of 2.6% a year from 1970s Census outturn of 8,559,000. However, several problems arise:

- a. population growth has been estimated at 3% to 3.25% excluding net immigration/emigration;
- b. pre-1983 estimates of Ghanaians abroad in West Africa were as high as 2,000,000 (UNICEF) and up to 250,000 were probably elsewhere in Africa and in Europe - North America - Middle East. That would be roughly consistent with 3% to 3.25% underlying population growth;
- c. after 1970 some non-Ghanaians may have left Ghana (net) albeit the major expulsions came in 1969;
- d. over 1973-75 and even more 1979-82 large numbers of Ghanaians (of all social classes and education levels) flocked to jobs in faster growing economies, especially Nigeria (reversing the pre-1965 pattern);
- e. in 1983 1,000,000 (quasi official Ghanaian figure) or 500,000 (private and some quasi private official estimates) Ghanaians were repatriated by Nigeria but a substantial number seeped back with 150,000-200,000 reportedly re-repatriated in 1985;
- f. the most recent government data show about 2.6% increase 1980-83 (allowing no room for any repatriation), under 2% 1983-84; over 4% 1984-85; slightly over 3% 1985-86 which correspond neither with Central Bureau of Statistics figures (which are close to straight 2.6% interpolations) nor with any coherent adjustment for a -say - 3%

underlying rate plus (minus) net emigration (representation).

This set of uncomfortable facts strongly suggests that 1970-82 GDP and food availability per capita falls are overstated. By the same token 1982-1983 falls are understated quite significantly even if net returnees were only 500,000. 1984 and subsequent year estimates may be about right (assuming net repatriation of 100-125,000 in 1985).

Thus any per capita trend data for periods running beyond 1970 but ending before 1983 are open to doubt as are any projections assuming 2.6% population growth since substantial net out-migration is unlikely to be possible in the short or medium term with both Nigeria and the Cote d'Ivoire depreseed and cracking down on "foreign Africans" and somewhat similar conditions (at least so far as Ghanaian residence and job access go) pertaining in Western Europe.

Annual agricultural production data are so weak, contradictory and generally implausible as to make any attempt to check 1983-1985 returnee estimates by 1984-1986 food crop output nearly useless. The high 1983/84 increase could be weather alone or to include a misallocation of cassava between 1983 and 1984; the 1984/85 purported decline appears to result from an underweighting and underestimation of root crops (a decrease in output and very slow post crop food price increases are hard to reconcile); 1985/86 tentative 4.5% growth of food output looks plausible even without assuming substantial 1985 net repatriation.

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ANNEX - TABLE 1

AVERAGE GROWTH RATES KEY INDICATORS: 1965-83
(per cent)

Item	1965-73	1973-83
1. Population ^a	2.2	3.1
2. Domestic production ^a		
(a) GDP	3.4	-1.3
(b) GDP per capita	1.2	-4.4
(c) Agriculture	4.5	0.0
(d) Industry	4.3	-7.0
(e) Services	1.1	-0.3
3. Merchandise trade		
(a) Exports ^a	3.5	-6.4
(b) Imports ^a	-3.3	-8.0
(c) Terms of Trade		-6.5
4. Cocoa production ^b		
5. Food sector		
(a) Food production ^c	2.0	-2.7
(b) Food production per capita ^c	-0.3	-5.9
(c) Calorie availability per capita ^c	1.3	-3.9
(i) from cereals	3.8	-3.3
(ii) from roots and tubers	-2.0	-1.8
(d) Protein availability per capita ^c	4.1	-4.0
6. Inflation		
(a) Consumer prices	6.3 ^d	49.9 ^e
(b) Food (local and imported) prices	6.6 ^d	53.2 ^e
(c) Non-food prices	5.8 ^d	46.5 ^e

^a World Bank, 1985. ^b Based on data provided by Ghana Cocoa Board, 1986.

^c FAO and FAO computer print-outs, 1986. ^d Based on data in Bequele, 1980, Appendix table 7 with the weights for local and imported food (0.5207 and 0.0295) from the World Bank. ^e Based on data from Ghana Central Bureau of Statistics.

Source: Adapted from Tabatabai, 1986.

ANNEX - TABLE 2

AGRICULTURAL PRODUCTION, AREA, YIELD TRENDS: 1970-1983
(per cent)

Crop	Production			Area			Yield		
	Ghana	North	South	Ghana	North	South	Ghana	North	South
<u>1970--81</u>									
Cereals	-2.3	0.4	-5.9	-1.9	0.3	-6.6	-0.4	0.1	0.7
Maize	-4.2	1.4	-5.9	-4.1	1.9	-6.7	-0.1	-0.6	0.8
Rice	-0.4	1.0	-6.1	-1.1	0.3	-6.1	0.7	0.7	-0.1
Millet	0.9	0.9	-	0.5	0.5	-	0.4	0.4	-
Guinea corn	-0.1	-0.8	-	-1.0	-0.8	-	0.0	0.0	-
Starchy staples	-3.7	-1.2	-3.8	-5.0	-2.2	-5.3	1.3	1.0	1.4
Cassava	-0.4	2.0	-0.4	-1.6	1.3	-1.6	1.2	0.7	1.2
Cocoyam	-4.5	-	-4.5	-5.7	-	-5.7	1.2	-	1.2
Yam	-6.0	-1.9	-8.7	-6.1	-2.5	-9.7	0.1	0.7	1.0
Plantain	-8.7	-	-8.8	-9.3	-	-9.4	0.6	-	0.6
<u>1970-83</u>									
Cereals	-3.4	-0.9	-7.1	-1.6	0.0	-5.0	-1.8	-0.9	-2.1
Maize	-6.2	-2.2	-7.3	-3.7	-0.3	-5.1	-2.5	-1.8	-2.2
Rice	-3.8	-4.2	-4.6	-3.2	-3.5	-3.8	-0.7	-0.7	-0.7
Millet	0.0	0.0	-	0.7	0.7	-	-0.7	-0.7	-
Guinea corn	-0.8	-0.6	-	-0.3	-0.1	-	-0.5	-0.5	-
Starcy Staples	-4.7	-2.7	-4.8	-4.8	-2.3	-5.0	0.1	-0.4	0.2
Cassava	-2.6	-3.9	-2.5	-2.2	-2.8	-2.1	-0.4	-1.1	-0.4
Cocoyam	-4.6	-	-4.6	-4.9	-	-4.9	0.4	-	0.4
Yam	-6.7	-2.0	-10.0	-6.0	-1.8	-10.3	-0.8	-0.2	0.4
Plantain	-8.1	-	-8.1	-8.1	-	-8.1	0.0	-	0.0

Source: Based on unpublished data Ministry of Agriculture. Unfortunately other unpublished data from same Ministry are contradictory and all are of doubtful accuracy.

ANNEX —TABLE 3

GDP BY INDUSTRIAL ORIGIN AT CONSTANT 1980 PRICES, 1980-1985
(Million Cedis)

	1980	1981	1982	1983	1984	1985 *
Agriculture	21,589	21,036	20,352	19,187	21,151	21,974
Agriculture and Livestock ..	14,723	14,607	13,990	12,938	14,880	15,106
Cocoa	3,979	3,805	3,613	3,322	3,256	3,585
Forestry and Logging	2,216	1,945	2,097	2,263	2,336	2,570
Fishing	672	679	652	664	679	713
Industry	6,533	5,489	4,554	3,986	4,278	4,863
Mining and Quarrying	517	479	439	394	409	467
Manufacturing	4,197	3,388	2,694	2,555	2,811	3,234
Electricity and Water	314	351	323	197	183	241
Construction	1,505	1,270	1,099	840	876	920
Services	12,886	13,315	12,826	13,490	13,987	14,686
Transport and Communications ..	1,211	1,292	1,307	1,402	1,446	1,518
Trade and Hotels	4,060	3,982	3,569	3,745	3,972	4,170
Banking, Insurance, Real Estate ..	2,715	2,836	2,923	3,028	3,115	3,271
Government Services	4,446	4,746	4,549	4,819	4,928	5,175
Other Services	455	459	479	496	526	552
Imputed Service Charges	-890	-1,080	-1,213	-1,289	-1,373	-1,453
Import Duties	589	388	250	314	365	383
GDP at Market Prices	40,708	39,149	36,770	35,689	38,409	40,453
Per Capita GDP (Cedis)	3,667	3,437	3,145	2,977	3,125	3,208
Population (Million)	11.10	11.39	11.69	11.99	12.29	12.61

*Estimated Note: Totals may not add up due to rounding

Source: Tables 3 to 8 and 11 to 19 adopted - in some cases adapted - from 1985 and 1987 Government of Ghana Consultative Group Submission, 1985. 1987 Submission is not directly comparable changing base year to 1975 and altering some bases of calculation.

ANNEX —TABLE 4

GDP BY INDUSTRIAL ORIGIN AT CONSTANT 1980 PRICES, GROWTH RATES,
1980-1985
(Per cent)

	1980	1981	1982	1983	1984	1985 *
Agriculture	2.2	-2.6	-3.3	-5.7	10.2	3.9
Agriculture and Livestock ..	0.1	-0.8	-4.2	-7.5	15.0	1.5
Cocoa	9.5	-4.4	-5.0	-8.1	-2.0	10.1
Forestry and Logging	2.0	-12.2	7.8	7.9	3.2	10.0
Fishing	9.1	1.1	-4.0	1.9	2.2	5.0
Industry	0.3	-16.0	-17.0	-12.5	7.3	13.7
Mining and Quarrying	-3.1	-7.3	-8.4	-10.1	3.7	14.3
Manufacturing	-1.4	-19.3	-20.5	-5.1	10.0	15.1
Electricity and Water	12.9	11.9	-8.1	-38.9	-7.4	32.0
Construction	4.3	-15.6	-13.5	-23.6	4.3	5.0
Services	-2.3	3.3	-3.7	5.2	3.7	5.0
Transport and Communications ..	-13.2	6.8	1.1	7.3	3.1	5.0
Trade and Hotels	-8.6	-1.9	-10.4	5.0	6.0	5.0
Banking, Insurance Real, Estate ..	3.9	4.5	3.0	3.6	2.9	5.0
Government Services	1.8	6.7	-4.2	5.9	2.3	5.0
Other Services	23.9	0.8	4.5	3.7	5.9	5.0
Imputed Services Charges	-27.9	21.3	12.3	6.3	6.5	5.9
Import Duties	-9.1	-34.1	-35.5	25.4	16.3	5.0
GDP at Market Prices	1.2	-3.8	-6.1	-2.9	7.6	5.3
Per Capita GDP	-1.4	-6.3	-8.5	-5.4	5.0	2.6
Population	2.6	2.6	2.6	2.6	2.5	2.6

*Estimated

ANNEX - TABLE 5

GDP BY EXPENDITURE AT CONSTANT 1980 PRICES, 1980-1985

(Million Cedis)

	1980	1981	1982	1983	1984	1985 *
Private Consumption	31,189	27,525	25,232	25,575	28,579	30,008
Public Consumption	7,166	8,293	7,376	7,228	7,396	7,766
Gross Domestic Investment	3,582	3,261	2,506	2,813	3,281	3,445
Gross Domestic Fixed Investment	3,768	3,327	2,566	2,818	3,275	3,438
Changes in Stocks	-186	-66	-60	-4	7	7
Net Exports	-1,229	70	1,655	73	-847	-889
Exports of Goods and NFS	4,779	4,360	5,025	3,548	2,993	3,143
Imports of Goods and NFS	-6,007	-4,290	-3,369	-3,475	-3,840	-4,032
Gross Domestic Product	40,708	39,149	36,770	35,689	38,409	40,330
Net Factor Income from Abroad ..	-397	-239	-213	-219	-212	-222
Gross National Product	40,311	38,910	36,557	35,470	38,197	40,107
Less Consumption of Fixed Capital ..	-2,280	-2,308	-2,403	-1,194	-1,185	-1,244
National Income	38,031	36,602	34,154	34,277	37,012	38,863
Other Current Transfers Received						
Abroad	399	325	294	392	508	534
National Disposable Income	38,429	36,927	34,447	34,669	37,521	39,397

*Estimated

Note: Totals may not add up due to rounding

ANNEX —TABLE 6
GDP BY EXPENDITURE, PERCENTAGE SHARES, 1980-1985

	1980	1981	1982	1983	1984	1985 *
Private Consumption	76.6	70.3	68.6	71.7	74.4	74.4
Public Consumption	17.6	21.2	20.1	20.3	19.3	19.3
Gross Domestic Investment	8.8	8.3	6.8	7.9	8.5	8.5
Gross Domestic Fixed Investment	9.3	8.5	7.0	7.9	8.5	8.5
Changes in Stocks	-0.5	-0.2	-0.2	.0	.0	.0
Net Exports	-3.0	0.2	4.5	0.2	-2.2	-2.2
Exports of Goods and NFS	11.7	11.1	13.7	9.9	7.8	7.8
Imports of Goods and NFS	-14.8	-11.0	-9.2	-9.7	-10.0	-10.0
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0
Net Factor Income from Abroad ..	-1.0	-0.6	-0.6	-0.6	-0.6	-0.6
Gross National Product	99.0	99.4	99.4	99.4	99.4	99.4
Less Consumption of Fixed Capital ..	-5.6	-5.9	-6.5	-3.3	-3.1	-3.1
National Income	93.4	93.5	92.9	96.0	96.4	96.4
Other Current Transfers Received						
Abroad	1.0	0.8	0.8	1.1	1.3	1.3
National Disposable Income	94.4	94.3	93.7	97.1	97.7	97.7

*Estimated

ANNEX - TABLE 7

PRODUCTION OF MAJOR COMMODITIES AND GENERATION OF ELECTRICITY: 1980-1986

	1980	1981	1982	1983	1984	1985	1986
Cereals ('000 tons)							
Maize	382	376	346	172	574	395	495
Rice	78	97	36	40	76	80	80
Other Cereals	213	250	162	96	315	305	330
Total	673	723	544	308	965	780	905
Cassava ('000 tons)	2,322	2,063	2,470	1,729 (2,529)	4,005 (3,205)	3,075	3,040
Cocoa ('000 tons)	258	224	179	158	175	219	230
Gold ('000 Fine Troy Ounces)	353	341	331	277	287	299	288
Diamonds ('000 Carats)	1,149	837	684	340	346	632	555
Manganese ('000 long tons)	250	223	160	173	287	316	332
Bauxite ('000 tons)	225	181	64	70	49	170	204
Logs ('000 cubic metres)	480	550	410	560	578	620	890
Sawnwood ('000 cubic metres)	150	190	150	189	180	223	232
Hydro-Electricity (mn KWH)	5,316	5,373	4,982	2,575	1,819	3,020	3,599

From 1987 Consultative Group submission. Substantial revisions of some entries from 1985 as far back as 1980.

ANNEX - TABLE 8

PRICE INCREASES (NATIONAL CPI) 1980-1986

	<u>Total</u>	<u>Non-Food</u>	<u>Food</u>
1980	50	-	-
1981	116	-	-
1982	22	-	-
1983	122	100	145
1984	40	69	11
1985	12	35	-11
1986 (Est.)	(33)	(50)	(15)

ANNEX - TABLE 9
REAL WAGES/SALARIES 1980-1985

	1980	1982	1983	1984	1985	Real wage ratios 1985 over 1983
A. Unskilled labour						
Civil service	322	419	329	354	712	2.16
Public corporations	647	525	416	406	709	1.70
Private sector	729	677	442	508	876	1.98
B. Semi-skilled labour						
Civil service	398	476	355	373	737	2.08
Public corporations	718	553	429	416	737	1.72
Private sector	855	764	480	591	914	1.90
C. Supervisor/Junior manager						
Civil service	698	716	467	452	846	1.81
Public corporations	1,280	1,110	676	590	941	1.39
Private sector	1,985	1,835	1,332	1,278	1,978	1.48
D. Accountants						
Civil service	1,194	1,090	641	576	1,016	1.59
Public corporations	1,739	1,468	843	708	1,159	1.37
Private sector	2,217	3,367	1,931	1,794	2,792	1.45
E. Engineer/Other senior professional						
Civil service	1,273	1,149	668	595	1,043	1.56
Public corporations	1,951	1,593	905	753	1,259	1.39
Private sector	3,785	3,367	1,931	2,140	3,220	1.67
F. Senior management						
Civil service	1,808	1,858	877	701	1,188	1.35
Public corporations	2,286	2,091	1,038	847	1,578	1.52
Private sector	6,872	6,035	3,627	3,733	5,126	1.41

Source: World Bank

ANNEX - TABLE 10

RECONSTRUCTED BUDGET ACCOUNTS CLERK: LATE 1985

<u>INCOME</u>		<u>Cedi</u>
Net Pay Slip	2,150	
Housing Allowance	430	
Other Allowances	570	
Tips, Sales Memos, etc.	1,250	(4,250)
Wife - Vegetable Selling	3,500	
Wife - Other Informal	500	(4,000)
Other Household Members	1,000	(750)
Total Income		<u>9,000</u>
<u>EXPENDITURE</u>		
Pay Day Chop ("day we must enjoy")	750	1,3
Weekday Chop (evening only)	3,000	1
Weekend Chop (morning/evening)	1,600	1
Other Chop	500	2
Children's Food Pocket Money	400	2
Clerk's Lunch Money	400	1 (6,650)
Transport to Work (communal taxi)	600	1
Rent	300	1
Water Electricity	150	2
Education/Medical, etc.	100	2,4
Clothing/Household Supplies	600	1,5
Football/Lotto/Beer/Cigarettes	600	
		<u>9,000</u>

1. Paid by Clerk or mixed.
2. Dominantly paid by Wife.
3. Chicken Cedi 450; Other Cedi 300.
4. Implicitly $\frac{1}{2}$ shirt, 1 metre cloth, 2 cakes soap a month.
5. Implicitly 3 bottles beer, 40 cigarettes, 1 football match, 2 Lotto forms a month:

Source: Adapted From West Africa 27-I-86 and fragmentary data on expenditure, income patterns. Estimate roughly squares with World Bank quasi survey suggesting wage earning household expenditure four times wages and over two thirds on food. Raises doubts as to appropriateness 50% food weight in Cost of Living Index.

ANNEX - TABLE 11

MERCHANDISE EXPORTS AND SALE OF ELECTRICITY, 1980-1986

	1980	1981	1982	1983	1984	1985	1986*
Cocoa Beans							
Value (US\$ million)	709	401	384	252	352	376	483
Volume ('000 tons)	211	190	239	159	150	171	198
Cocoa Products							
Value (US\$ million)	84	41	34	27	30	36	36
Volume ('000 tons)	23	14	16	15	15	16	18
Gold							
Value (US\$ million)	190	159	122	102	103	91	106
Volume ('000 Fine Troy Ounces)	348	346	302	278	286	285	288
Timber							
Value (US\$ million)	34	36	16	15	21	29	48
Volume ('000 cubic metres)	185	219	111	103	126	247	354
Residual Oil and Electricity							
Value (US\$ million)	56	51	48	34	43	68	67
Others							
Value (US\$ million)	31	23	38	16	18	32	33
Total							
Value (US\$ million)	1,104	711	642	441	566	632	773

* Estimated Based on 1987 submission

ANNEX - TABLE 12

BALANCE OF PAYMENTS, 1983 - 1984
(US \$ Million)

	<u>1983 Actual</u>	<u>1984 Provisional</u>
Exports (F.O.B.)	439	566
Cocoa	269	382
Non-Cocoa	171	184
Imports (F.O.B.)	-500	-616
Oil	-145	-161
Non-Oil	-355	-455
Trade Balance	-61	-50
Services (Net)	-186	-229
Of which: Interest Payments ^{1/}	-82	-101
Unrequited Transfer (Net)	29	78
Private	17	74
Others ^{2/}	12	4
Current Account Balance	-218	-201
Government Capital (Net)	88	197
Grant ^{3/}	61	125
<u>Long-Term Loans (Net)</u> ^{8/}	15	84
Gross Inflows	84	133
Amortization	-69	-50
<u>Medium-Term Loans (Net)</u>	13	-11
Gross Inflows	68	55
Amortization	-55	-65 ^{4/}
Trust Fund	0	-1
Private Capital (Net) ^{9/}	13	-9
Direct Investment	2	2
Suppliers' Credits	12	-11
Others	61	-85
Capital Account Balance	163	104
Errors and Omissions	-187	20
Overall Balance	-243	-78
Monetary Movements	243	78
IMF (Net) ^{7/}	259	214
Payments Arrears	-34	-60
Supplementary Borrowing	0	0
Increase in Reserves ^{5/}	0	-35
Others	18	-41 ^{6/}

- Notes: 1/ Includes profits and dividends.
2/ Consists of technical assistance, pension payments and others.
3/ Excludes technical assistance.
4/ Excludes the amount of the Nigerian oil credit paid during 1984.
5/ Negative numbers mean increase in reserves.
6/ Includes the amount of the Nigerian oil credit paid during 1984.
7/ Excludes possible new standby or Structural Adjustment Facility Drawings.
8/ 1985-1989 data not broken down by maturity.
9/ For 1985-1989 lumped in other.

ANNEX - TABLE 12

BALANCE OF PAYMENTS, 1985 - 1989
(US \$ Million)

	1985	1986 Est- mated	1987 Pro- jected	1988 Pro- jected	1989 Pro- jected
Exports Of Which	632	773	777	845	920
Coca	(412)	(519)	(475)	(490)	(524)
%	[65]	[68]	[62]	[58]	[56]
Imports Of Which	-726	-780	-891	-985	-1073
Oil	(199)	(-125)	(-148)	(-153)	(-158)
Trade Balance	-94	-7	-144	-140	-153
Non Factor Services (Net)	-110	-131-	-154	-172	-182
Resource Balance	-204	-138	-268	-312	-335
Net Factor Income	-111	-105	-113	-125	-125
Net Private Transfer	32	49	50	80	120
Current Account Balance	283	-194	-331	-357	-340
Financed By: Grants	93	115	162	157	194
Official Medium And Long Term Loans (Net)	39	111	264	247	222
Disbursements	(287)	(358)	(418)	(424)	(396)
Amortization	(-248)	(-248)	(-154)	(-178)	(-173)
Other Capital	19	-70	13	74	29
Errors And Omissions	16	-18	-	-	-
Capital Accounts (Net)	167	138	439	478	445
Overall Balance	-117	-56	108	121	106
Monetary Movements	117	56	-108	-175	-123
Of Which Net IMF1/	112	17	-102	-235	-161
Arrears Reduction	-57	-4	-26	-72	-73
Financing Gap2/	-	-	79	203	148
Res Implicit	+ = Fall	+43	-59	-17	-20

Notes: 1/ Capital Receipts excludes borrowings by Bank of Ghana.

2/ Does not take into account purchases under future programme with the IMF or resources from the Structural Adjustment Facility.

ANNEX - TABLE 13
EXTERNAL CAPITAL REQUIREMENTS, 1983-1988
(US\$ Million)

	1983 Actual	1984 Provi- sional	1985 Estima- ted	1986 Projected	1987 Projected	1988 Projected
Capital Required	485	522	657	800	927	985
Current Account Deficit	218	201	346	405	463	476
IMF Repurchases	0	4	0	19	137	207
Amortization (Official)	125	115	236	256	208	204
Payment Arrears	34	60	60	60	60	53
Capital N.E.S.	109	107	14	10	10	10
Increase in Reserves	0	35	0	50	50	35
Assumed Capital Available	485	522	657	800	927	985
Official Dev. Asst.	145	259	288	535	550	550
Loans	84	133	200	294	303	295
Grants	61	125	88	241	247	255
Medium-Term Loans	68	55	198	164	155	155
Supplementary Borrowing	0	0	0	41	175	225
Private Borrowing	12	-11	46	52	33	31
Direct Foreign Investment	2	2	6	8	14	24
IMF Purchases	259	218	120	0	0	0
Memorandum Items:						
Exports of Goods and NFS	477	613	647	756	917	1,057
Imports of Goods and NFS	642	791	933	1,110	1,310	1,458
Interest Payments including						
IMF Charges	82	101	111	152	173	190
IMF Charges	20	21	-47	-45	-42	-32
Debt Service Ratios						
Excluding IMF	39.1%	31.8%	46.4%	47.4%	36.9%	34.3%
Including IMF	43.2%	35.9%	53.7%	55.8%	56.5%	56.9%
Including IMF and Arrears						
Reduction	50.3%	45.6%	62.9%	63.6%	63.0%	61.9%
As % Gross Capital Inflows	56%	58%	65%	67½%	68% *	67½% *

* Excluding Supplementary Borrowing and Debt Service thereon

ANNEX - TABLE 14

EXTERNAL DEBT END 1985

Total	\$ 2.4	billion
(IMF	.656)	
Multilateral	.792	
Bilateral	.966	
Bank/Others	.442	
Arrears	.200	
Interest/Exports		21.6%
Debt/Exports		355%
Debt/GDP		23%

ANNEX - TABLE 15

SCHEDULE OF COMMITMENTS AND DISBURSEMENTS, 1985-89
(US \$ Million)

	Project	Pro- gramme/ Sector	Food/ Com- modity	Total
Actual				
1985				
Undisbursed Balance 31/12/84	291	140	83	541
1985 Signed Commitments	262	196	29	487
Disbursements	103	80	41	224
Exchange Rate Adjustment				-8
1986				
Undisbursed Balance 31/12/85	446	253	70	769
1986 Signed Commitments	217	143	31	391
Disbursements	124	189	44	357
Exchange Rate Adjustment				+56
Projected				
1987				
Undisbursed Balance 31/12/86	577	220	62	859
1987 Signed Commitments	295	230	50	575
Disbursements	186	199	43	428
1988				
Undisbursed Balance 31/12/87	686	251	69	1006
1988 Signed Commitments	342	240	53	635
Disbursements	219	202	48	469
1989				
Undisbursed Balance 31/12/88	809	289	74	1172
1989 Signed Commitments	351	230	55	636
Disbursements	254	188	45	487
1990				
Undisbursed Balance	906	331	84	1321

ANNEX - TABLE 16

AID COMMITMENTS BY DONORS, 1984-86
(US \$ Million)

Members of the CG for Ghana	1984	1985	1986
<u>Bilateral</u>			
Canada	45	33	23
France	1	12	25
Germany	18	13	24
Italy	1	16	1
Japan	4	36	14
Switzerland	6	9	6
U.K.	10	11	26
U.S.A.	21	17	11
Sub-total (Bilaterals)	105	147	130
<u>Multilateral</u>			
ADB	31	79	29
BADEA			
Development in Africa	0	9	0
E.E.C.	57	26	31
E.I.B.	10	0	37*
F.A.O.	0	0	0
I.F.A.D.	0	0	0
U.N.D.P.	4	4	4
W.F.P.	79	8	9
World Bank	125	187	93
Sub-total (Multilaterals)	306	313	203
<u>Observers at the CG for Ghana</u>			
Australia	1	0	0
Brazil	0	0	0
C.D.C.	0	1	24
China	0	0	0
Denmark	0	5	0
India	0	0	0*
Korea	0	0	0
Kuwait Funds	0	0	0
Netherlands	13	6	18
Norway	0	0	0
Spain	0	0	0
O.P.E.C. Fund	0	6	0
Saudi Fund for Development	0	9	13
NGOs	0	0	3
Sub-total (Observers)	14	27	58
Grand Total	425	487	391

Note 1. Data converted at exchange rates prevailing at end of year indicated.
2. Data may not add up due to rounding.

* Less than US \$0.5 million.

ANNEX - TABLE 16b

AID DISBURSEMENT BY DONORS 1984-86
(US \$ million)

Donor	1984	1985	Revised 1986
<u>Consultative Group Members</u>			
Bilateral			
Canada	45	15	14
France	1	0	0
Germany	27	18	22
Italy	1	2	1
Japan	6	17	16
Switzerland	6	4	9
U.K.	18	12	21
U.S.A.	23	17	13
Sub-total (Bilaterals)	119	85	96
Multilateral			
ADB/ADF	14	22	20
BADEA	0	0	0
E.E.C.	47	13	33
E.I.B.	6	2	3
F.A.O.	0	0	0
I.F.A.D.	0	2	2
U.N.D.P.	3	4	4
U.N.I.C.E.F.	0	2	3
W.F.P.	14	14	25
World Bank	54	72	166
Sub-total (Multilaterals)	138	131	255
Others			
Australia	0.5	0	0
Brazil	0	0	0
C.D.C.	0.7	1	1
China	0	0	0
Denmark	0	0	0
India	0	0	0
Korea	0	0	0
Kuwait Funds	0	0	0
Netherlands	0	7	5
N.G.O.s	0	0	0
O.P.E.C.	0	0	0
Saudi Fund	0	0	0
Spain	0	0	0
Sub-total (Others)	1.2	8	6
Grand Total (C.G. Members & Others)	285	224	357

Note 1. Data converted at exchange rates prevailing at time of disbursements.

2. Data may not add up due to rounding.

ANNEX

TABLE 17 Main Economic Indicators (Average
Annual Change: %)

	Consumer Price Index	Total	Real GDP Per Capita	Exports	Imports	Maize Output
1980	50.1	1.2	-1.4	3.6	12.5	
1981	116.5	-3.8	-6.3	-35.6	5.1	-1
1982	22.3	-6.1	-8.5	-9.8	-38.2	-8
1983	121.9	-2.9	-5.4	-31.5	-1.8	-50
1984	40.2	7.6	5.0	28.9	23.2	233
1985 (Est) ¹	20.0	5.3	2.6	7.8	18.0	-5

1. CPI actual 12. GDP actual probably underestimated because 1.5% food output growth estimate appears incompatible with 11% food price decline and food exports.

ANNEX - TABLE 18 Sources and Uses of Foreign Exchange, 1983-85
(Million \$)

	<u>SOURCES</u>				<u>USES</u>		
	1983	1984	1985		1983	1984	1985
<u>Own Sources</u>							
Exports (fob)	439	566	610	Imports (fob)	500	616	727
Service (Receipts)	39	49	38	Service Payments	225	278	319
Total	478	615	648				
<u>External Sources</u>				<u>Amortiza- tion</u>	124	115	236
Grants	61	125	88				
Long-term Loans	84	133	200	Long-term Loans (69)		(50)	(33)
Medium-term Loans	68	55	198	Medium term Loans	(55)	(65)	(203)
Private Capital and Transfers (Net)	103	-17	88				
				Reduction in payments arrears	34	60	60
IMF disbursements	259	218	120	Others 1/ (Net)	170	60	0
Total	575	514	694				
<u>Total Resources</u>	1053	1129	1342	<u>Total Uses</u>	1053	1129	1342
Memo Items:							
Per Cent Increase in Total Resources	-	7	19				
Own Sources as per cent of Total Resources							
	45	54	57				

1/ Includes movements in short-term monetary and non-monetary capital, change in official reserves, and errors and omissions.

ANNEX - TABLE 19

ERP MAJOR ECONOMIC AND FINANCIAL INDICATORS (1984-89)

	(Provisional)				Projections		
	Actual 1984	Estimates 1985	Estimates 1986	Target 1986	1987	1988	1989
<hr/>							
<u>Growth Rates</u>							
GDP	8.6%	5.1%	5.3%	5.5%	5.0%	5.3%	5.3%
GDP Deflator	35.3%	31.2%	30.2%	18.20%	18.0%	12.5%	7.5%
<u>Percent of Market Price GDP</u>							
<u>National Accounts:</u>							
Consumption	95.1%	95.7%	92.3%	95%	89.8%	86.7%	85.0%
Investment	7.6%	7.3%	10.3%	14%	17.1%	21.0%	22.8%
Private	4.0%	3.4%	4.4%	5%	7.9%	11.1%	11.9%
Budgetary Cap. Expenditures	3.6%	3.8%	5.9%	9%	9.2%	9.9%	10.8%
National Savings	4.7%	3.1%	6.6%	6%	8.5%	12.2%	14.8%
Public	-0.4%	0.1%	1.7%	2%	3.2%	3.5%	3.6%
Private	5.1%	3.0%	4.8%	4%	5.3%	8.7%	11.2%
Of which: Foreign Transfers	1.0%	0.5%	0.9%	1%	1.3%	2.0%	2.8%
Foreign Savings	2.8%	4.2%	3.7%	7%	8.6%	8.8%	7.9%
<u>Central Government Budget:</u>							
Total Revenues	8.0%	10.4%	13.6%	12%	16.1%	16.2%	16.5%
Total Expenditure	11.8%	14.1%	17.8%	20%	22.8%	23.6%	24.4%
Recurrent	8.4%	10.3%	11.9%	11%	12.9%	12.7%	12.9%
Capital	3.4%	3.8%	5.9%	6%	9.2%	9.9%	10.8%
Special Efficiency	0.0%	0.0%	0.0%	3%	0.7%	0.9%	0.6%
Overall Deficit	3.8%	3.8%	4.1%	8%	6.6%	7.4%	7.9%
<u>Balance of Payments</u>							
Exports of GNFS	8.0%	9.9%	15.8%	14%	21.7%	22.2%	22.7%
Imports of GNFS	-10.7%	-12.9%	-18.5%	-20%	-28.6%	-30.0%	-30.5%
Resource Balance	-2.7%	-3.0%	-2.6%	-6%	-7.0%	-7.7%	-7.8%
Current Account Balance	-2.8%	-4.2%	-3.7%	-8%	-8.6%	-8.8%	-7.9%
Overall Balance	-1.6%	-1.7%	-1.1%	+2%	2.8%	3.0%	2.5%
<u>Broad Money (M2)</u>							
	15	12	16	15	18	20	22

ANNEX - TABLE 20

SELECTED QUALITY OF LIFE INDICATORS:
1960 - MID 1980's

	Ghana		Late 1970's	1980's	Low Income Sub- Saharan Africa (1982)
	1960	1970			
1. Average Life Expectancy at Birth	45	49	55	53	48
2. Infant Mortality Rate	132	107	86	107-120	118
3. Child Death Rate	27	21	15	25-30	24
4. Access to Health Facility (b)	-	-	-	30	45
5. Public Health Facility Visits Per Person Per Year	-	-	0.7	0.4	2(f)
6. Health Budget as % of GDP	-	1.2	-	0.26	0.95
7. Access to Pure Water (c)					
Rural	-	14	14	48	14
Urban	-	86	86	75	62
Total	-	35	35	60	22
8. Access to Excreta Disposal (d)					
Rural	-	40	40	30	25
Urban	-	92	95	65	69
Total	-	55	56	44	32
9. Average Calorie Availability as a % of requirements	92	97	88	68	91
10. Child Malnutrition (Moderate/Severe)	-	-	36	50-55	40
11. Primary Education Enrolment Ratio (e)	38(46)	64(75)	69(80)	-(80)	69(-)
12. Adult Literacy	27	30	-	35-45	44
13. Education Budget as % of GDP	-	3.9	-	0.85	2.81
14. Proportion of Population below Absolute Poverty Line (f)					
Rural	-	-	60-65	67-1/2-72-1/2	65
Urban	-	-	30-35	45-50	35

Principal Sources: World Bank, Comparative Analysis and Data Division, Economic Analysis and Projections Department (June 1984), World Development Report 1985; UNICEF, Statistics on Children in UNICEF Assisted Countries (April 1985); UNICEF Ghana: Situation Analysis of Women and Children (July 1984).

- Notes:
- a) 1960 data refer to a year between 1959 and 1961; 1970 between 1969 and 1971; late 1970's between 1975 and 1980; 1980's to 1982, 1984 or 1985.
 - b) Defined in terms of location within a 5 kilometre radius. May overstate for urban population when facilities available are small to serve the entire population nominally within reach of them.
 - c) 1970 and late 1970's urban figures may be overstated by failing to relate number of water points to population.
 - d) 1970 and 1978 figures for urban and possibly rural areas overstate by failing to relate number of drop-holes to supposed user population.
 - e) Adjusted for length of primary cycle. () are unadjusted figures. Because of the primary/middle school division Ghana has a shorter primary cycle than most SSA countries.
 - f) Estimate made by author on basis of fragmentary data.